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25 March 1986

China Report

ECONOMIC AFFAIRS

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25 March 1986

CHINA REPORT

ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

PENG ZHEN'S DAUGHTER INVESTIGATED FOR COMMERCIAL FRAUD

HK210800 Hong Kong AFP in English 0734 GMT 21 Feb 86

[Article by Pierre-Antoine Donnet]

[Text] Beijing, Feb 21 (AFP)--The daughter of Peng Zhen, one of China's top leaders, is being investigated in connection with alleged commercial fraud involving bribes totalling about 300,000 dollars, informed Chinese sources said here today.

They said an investigation was begun more than a month ago into the activities of Fu Yan, whose father is a member of the elite Standing Committee of the Communist Party Politburo and chairman of parliament.

The probe followed the discovery late last year of the sale of 300,000 tonnes of coal at less than the official rate in a deal which earned a dollar a ton for an import-export firm headed by Mrs Fu, the sources said.

A source close to the official press confirmed that the son of Hu Qiaomu, a top party ideologue and Politburo member, was also under investigation for corruption.

A Justice Ministry spokesman, Zhang Yaochen, declined to comment on the cases, saying, "We have nothing to tell you." The Public Security Ministry said it was unaware of the probes.

The investigations come as Chinese officials are pressing their anti-corruption campaign and insisting that no one will be spared regardless of rank or family affiliation.

The company Mrs Fu headed since the middle of last year was ordered closed as soon as the scandal broke, the source said, adding that the results of the probe may never be made public because of Mr Peng's position at the top of the Chinese hierarchy.

The source did not know whether Mrs Fu has been arrested.

Mr Peng, 84, one of the last veterans of the Chinese Revolution still in power, enjoys wide popularity and prestige. In the past few days he has made several public appearances, and yesterday the national press published a speech in which he discussed the need for party members to respect the law.

The investigation into the conduct of the son of Hu Qiaomu was disclosed last Friday by the Hong Kong newspaper, TA KUNG PAO, generally considered the Chinese Communist Party's mouthpiece in the territory.

The newspaper also said that the sons of two prominent generals, Ye Fei and Xiao Jingguang, were under investigation, as was Wang Chun, former vice-mayor of Beijing.

Yesterday's announcement--orchestrated with massive media exposure--of the execution of the sons of top Shanghai party officials Hu Lijiao and Chen Xiwu, accused of using the protection of their parent's ranks to rape women, signalled the leadership's intention of taking the anti-corruption campaign as far as it goes up the party ladder, observers maintained.

"The propaganda machine has been ready to spring into action for a long time. But without risking its own destabilization, the government could not allow itself to stamp its foot just anywhere in the ant-heap," a Western diplomat said, noting that until now the families of leaders sympathetic to the current economic reforms have been spared in the anti-corruption drive.

President Li Xiannian devoted his new year's address on February 9 to the campaign, stressing that much remained to be done in punishing the "black sheep."

The government has twice before struck at family members of high leaders, with the execution of a nephew of Mr Li for "disturbing the public order" and a grandson of Zhu De, one of the founders of the People's Liberation Army, for rape.

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NATIONAL POLICY AND ISSUES

PRC CONTINUES CRACKDOWN ON ECONOMIC CRIME

Illegal Export Deal

HK090906 Hong Kong AFP in English 0841 GMT 9 Feb 86

[Article by Pierre-Antoine Donnet]

[Excerpts] Beijing, Feb 9 (AFP)--Chinese authorities are investigating a top Beijing city official and the child of a "very senior" Chinese leader for their alleged part in an illegal export deal involving 3 million dollars in pay-offs, a highly reliable Chinese source said here today.

The affair came to light just weeks after Chinese leaders announced an all-out crackdown on corruption in high places.

A Beijing mayor's office spokesman refused to confirm or deny the information, saying he wasn't "informed."

Wang Chun, a Chinese Communist Party veteran, has held several posts in the Beijing municipality since the foundation of the People's Republic of China in 1949. He was vice-mayor of Beijing from 1960 to 1967, and was then member of the Beijing Party Committee until his arrest.

The affair has come to light just weeks after Chinese leaders announced they would deal mercilessly with anyone guilty of "economic crimes," regardless of their rank--a message echoed by President Li Xiannian today in an address to the people to mark the Lunar New Year.

"A few party officials including some leading ones had been struck by the sugar-coated bullets of the bourgeoisie," he said.

"These black sheep should be severely dealt with in line with party discipline and the law."

Mr Deng, China's paramount leader, told a Party Politburo Standing Committee meeting on January 17 that all big wheels and corrupt children of senior leaders would be severely punished, the source said.

On February 3, the party newspaper the PEOPLE'S DAILY stressed that anyone violating the laws--"whoever they may be, high officials, their sons or daughters, well-known people or leaders"--should be severely dealt with.

The next day, the Chinese press published a dispatch from the official NEW CHINA NEWS AGENCY charging that leaders' relatives were currently engaged in trading or founding enterprises using their family connections or influence.

The PEOPLE'S DAILY on Sunday warned that "the masses are particularly displeased about seeing party members or their relatives in cohorts with criminals committing fraud."

Western diplomats here say that many sons and daughters of top Chinese leaders currently head import-export enterprises.

Fu Liang and Fu Yan, the son and daughter of Peng Zhen--head of China's National People's Congress (NPC) and number four in the country's hierarchy--both head commercial enterprises.

The son of Bo Yibo, vice-president of the Central Party Consolidation Guidance Commission and a renowned veteran of the Chinese Revolution, heads the big "Peacock" store in Beijing which specializes in the export of crafts.

The anti-corruption drive within the party intensified Friday with the announcement of "disciplinary warnings" against a vice-minister and a former astronautics minister implicated illegally importing televisions from France worth some 40 million dollars.

Official Arrested

Hong Kong AFP in English 0517 GMT 9 Feb 86 HK

[Text] Authorities have started proceedings against a top Beijing city official and the offspring of a "very senior" Chinese leader implicated in an export deal involving about 300,000 dollars in bribes, a highly reliable Chinese source said here today. Wang Chun, vice-president of Beijing municipality's Advisory Commission, was arrested early last month after being implicated in the deal involving the export of 300,000 tons of coal at a price lower than the official one, the source said. Illegal pay-offs accounted for about one dollar a ton, the source added.

The authorities have also started proceedings against "the offspring of a very senior and well-known Chinese leader," accused of taking an active part in the deal, said the source. The deal went through two unnamed French and Japanese intermediaries and the 300,000 dollars in pay-offs were deposited in bank accounts abroad, the source added. A Chinese import-export company, created especially for the deal last year, has now been shut down, the source said.
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NATIONAL POLICY AND ISSUES

LIAOWANG ON HU YAOBANG'S VISIT TO ZHEJIANG, GUANGDONG

HK070839 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 8, 24 Feb 86 pp 4-6

[Article by Zeng Jianhui [2582 1696 1798] and Fu Shanglun [0265 0006 0243]:
"Random Notes on Hu Yaobang's Visit to Zhejiang and Guangdong"]

[Text] At noon on 28 December at the end of 1985, a Trident from Beijing broke through the hanging cloud and landed at the airport on the outskirts of Ningbo, a well-known city in eastern Zhejiang. The CPC General Secretary began his 7-day inspection visit in the coastal areas of eastern Zhejiang, the mountainous areas of western Guangdong, and the Xisha Islands.

All Areas Should Give Play to Their Own Advantages

Zhejiang Province is an area of China in which commodity economy is very developed. In Eastern Zhejiang, Hu Yaobang first inspected Fenghua and Xiangshan and two counties under the jurisdiction of Ningbo, Dachen Island, and Jiaojiang City. Wang Fang, Zhejiang Provincial CPC Committee Secretary, who accompanied him in inspecting the areas, told him that in 1985, Zhejiang's economic situation had been the best in its history. However, in the period from the end of 1984 to the middle of 1985, the practice of blindly competing with one another for higher growth rates emerged in quite a few areas in Zhejiang and caused an all-around shortage of communications facilities, energy, raw and processed materials, and funds. Since the latter half of last year, as macroeconomic control has been strengthened and the pace of development has been slowed down, the situation has been gradually improved.

Hu Yaobang pointed out that paying attention to growth rate should not deviate from two prerequisites: The first is social benefit and economic results; and the second is to prevent four things--capital construction funds, credit, foreign exchange payments, and consumption funds--from exceeding the budget. At all times, we should act in accordance with the principles of seeking truth from facts and doing what we are capable of doing. He stressed that we had to strengthen and improve our macrocontrol and combine it organically with enlivening our microeconomy, and that we had to gradually straighten out the economic relations between various sectors through our reform and thus enable our national economy to develop in a sustained, stable, and harmonious manner.

Hu Yaobang said that we had to do our work better in the latter 5 years of the eighties than we did in the first 5 years. He called on people to think about the question of what actual work we had to do. He was of the opinion that one of the very important aspects of the work is to give full play to the economic advantages of various areas. Wherever he went, he would inquire into the economic advantages of the areas.

Hu Yaobang showed great concern for Ningbo's development and construction. When he arrived in the country town of Fenghua, he held a get-together to talk with local responsible people. They first talked about Ningbo's advantages. Ge Hongshen, secretary of Ningbo City CPC Committee, briefed Hu Yaobang on Ningbo's two major advantages. The first is its port--the Beilun port 38 km away from the urban area. This is a fine port, rare in the world. Now a 100,000-metric-ton-grade deepwater dock has already been built and the annual handling capacity of the port has already reached 26.7 million metric tons. In order to meet the demand resulting from opening up to the outside world, it is necessary to continue to develop and build up the port in Ningbo. It is expected that by the end of the Seventh 5-Year Plan period, the handling capacity will rise to 50 million metric tons, and that by the year 2000, it will rise to 70-100 million metric tons. By that time, Ningbo will be a big port not only in China but also in Asia. He went further and said that Ningbo's second major advantage was the groups of Ningbo natives who have spread to all areas of the world. These people have deep feeling for their homeland and enthusiastically take part in the construction of their homeland. Mr Y.K. Pao is one of the most prominent among them. Mayor Geng Dianhua interrupted him and said that in Hong Kong alone there are 40,000 families of Ningbo natives, of whom 5,000 came back home for a visit in 1985.

Hu Yaobang asked them: are you building your airport? Ge Hongshen replied that the basic facilities are being built now and that it is planned to complete the airport in 2 years. Then, it will take only 1 and 1/2 hours to fly from Hong Kong direct to Ningbo and tourism will develop on a large scale.

When he heard the briefing on the situation, Hu Yaobang said to Wang Fang with joy that Zhejiang had to regard Ningbo's development and construction as a major task and pay great attention to satisfactorily grasping it. What an open city needs is no more than a port, an airport, and some telecommunications facilities. You have got a port and will soon solve the problem related to telecommunications facilities, and the next step will be to build the airport. I think that in the nineties Zhejiang's economic center will be Ningbo rather than Hangzhou. Ningbo should be the center since it has such a fine port.

Three Demarcation Lines Should Be Grasped in Rural Party Rectification and Three Tasks Should Be Grasped in Correcting Unhealthy Practices.

When Comrade Hu Yaobang talked with cadres of various areas, he showed great concern for the work of party rectification and correcting unhealthy

trends in our rural areas. He thought that these are major issues that have a bearing on our ability to carry out our Seventh 5-Year Plan satisfactorily.

At the get-together, the responsible persons of the Ningbo City and the Fenghua County CPC Committees reflected that in rural party rectification there are some problems of a policy nature that are hard to deal with. They hoped that the CPC Central Committee would issue a document on these problems. Hu Yaobang said that for rural party members, they should generally grasp three demarcation lines: First, those who lead people in becoming rich should be praised; second, those who can themselves take the lead in becoming rich should be protected; and third, we should give guidance to those who sometimes adopt some improper means in becoming rich. These three demarcation lines are easy to grasp. He stressed that during rural party rectification, we should distinguish between those who sometimes adopt improper means in their business activities and those who exploit their power of office to pursue their private ends and we should guide the former in order to prevent them from going further down an evil path. However, in regard to a small number of cadres who have exploited their power of office to pursue their private ends, we should handle their cases sternly. As for the issue of correcting the unhealthy practices among our cadres, Hu Yaobang called on them to grasp three tasks: The first is to grasp ideological education; the second is to formulate some regulations; and the third is to grasp the investigation of major important cases. He said that in carrying out our work of ideological education, we had first to grasp the work among our cadres and thus heighten their awareness and make them all serve the people and refrain from conducting bureaucracy or exploiting their power of office to pursue their private ends.

The Journey to the Xisha Islands

On the last day of 1985, Hu Yaobang and his party flew by helicopters for a full 2 hours over the South China Sea and landed on a coral island in the Xisha Islands. When the door of the helicopter was opened, a hot wind blew into it. The coral island was small, with an area of just 0.31 square km, and situated in the western part of the Xisha Islands.

When Hu Yaobang arrived on the coral island, he walked along a sandy road lined with tropical trees and grass in high spirits to inspect the coastal defense works of the island and then toured nearly half of the island in about an hour. He made a special visit to a vegetable farm. This farm, on which cabbage was grown, was not big, but it was reclaimed by the fighters and cadres from a barren coral beach by spreading soil on the beach from the mainland. Hu Yaobang also visited a few young workers at the weather station on the island. He then entered the canteen of a company and sat among the cadres and fighters of the company to have lunch together.

Having stayed on the coral island for 3 hours, Hu Yaobang again boarded the helicopter and flew eastward. At about 1600, he arrived on Yongxing Island--"capital" of the Xisha Islands. Like the coral island, the grass and trees on this island were also green and luxurious. Buildings of unconventional design loomed through the thick green woods.

Having arrived on Yongxing Island, Hu Yaobang visited the government office of southwestern Xisha Islands, talked kindly with cadres, staff, workers, and their relatives under the shade of a few huge trees, and hurried to make inspection tours around the island before dark. He also took a ride in his car, along a dyke 2 km long, across the sea to another island--Shidao--to inspect the defense works there. Then he returned to Yongxing Island to have a New Year's eve dinner together with the fighters.

The weather on Xisha Island was always changing. Late that night, a sea wind suddenly began to whistle and it rained heavily. The huge waves hit the shore so loudly as to wake people from their dreams. On the morning of New Year's day, the wind and waves began to subside and the weather turned cloudy. After breakfast, Hu Yaobang personally planted a coconut tree in the yard of the hostel in soil specially carried to the island from Zhongnanhai. He then went in his car to the auditorium on the island to meet the over 200 local military and civilian cadres of various levels and gave a speech to them.

He said that he had thought that the island would be very desolate, but, in fact, there were many fairly well-built houses and both the defense works and roads were built satisfactorily. He said, "In particular, I have contacted more than 70 percent of the comrades here and seen that the comrades are all filled with enthusiasm, fear no hardship or difficulties, and strictly observe our discipline. I am deeply impressed by this spirit of the garrison troops and local workers. I will take my impressions of the Xisha Islands back to Beijing to inform the CPC Central Committee and the comrades all over our country."

He then said that in the new year and in the coming 5 years and decades, the major task for the Chinese people would be to carry out the four socialist modernizations with one heart and one mind, or in other words, to strive hard to make our country prosperous and our people rich. At the same time, we should also shoulder the sacred duty of defending world peace. He stressed: "Our country's basic state policy is that we do not want even an inch of another country's territory, but neither do we allow any country to occupy even an inch of our great motherland's territory. We Chinese people will never bully other people or countries, and we always oppose any hegemonist who bullies a small or weak country." "We resolutely support the Cambodian people's patriotic struggle to resist Vietnamese aggression and support them in carrying on this struggle to the bitter end and until their complete victory. We will not waver in this resolution."

Hu Yaobang went on to say that in the struggle this year and in the future, some of us will have to undergo the test of many difficulties. He praised the PLA border troops, including infantry, navy, and air force, as people who were most able to forge ahead in spite of difficulties and to undergo the test of any difficulty, as most beloved and admirable people, and as people who fear difficulties the least. People of all nationalities and occupations in China should learn from those who fear difficulties the least and learn from the PLA who fear difficulties the least!

He said, "During the new year, I particularly hope that our PLA, in particular the PLA border garrisons, will carry on the spirit of fearing no difficulty and fighting against difficulties. I also hope that the comrades in all occupations and in all areas will also carry on this spirit. This is one of the important principles of our communist spirit and is one of our party's fine traditions."

In conclusion, Hu Yaobang cited two lines from the song "Where the Peach Blossoms," a song that fighters are familiar with: "In order to make your scenery more beautiful, I am willing to guard the border in the snowstorm." He said that these words were sung to the border fighters in the north. For those who garrison the islands, the line should be: "In order to make the motherland more beautiful, I am willing to garrison the storm- and wave-beaten southern border." He hoped that the fighters would sing with that emotion. At this, a storm of applause broke out all over the auditorium.

Prosperous Mountainous Areas in Eastern Guangdong

On the afternoon of New Year's Day, Hu Yaobang and party took an airplane to eastern Guangdong and landed at Suixi Airport, Zhanjiang City. Then they immediately went by vans to Maoming City 140 km away. The next morning, he got on the bus to continue northward and entered the green mountainous areas covered by fog in Gaozhou and Xinyi counties under the jurisdiction of Maoming City to carry out investigation and inspection.

He held get-togethers respectively with the responsible cadres in Gaozhou and Xinyi counties, inquired in detail about the state of affairs regarding local agricultural and sideline production, people's livelihood, and rural party rectification, and about their plans for this year. He spoke favorably of Maoming City for its practice of attaching importance to giving play to the advantages of mountainous areas, paying attention to developing mountainous areas, developing diversified undertakings, and placing its hopes for becoming rich on its mountains.

During Hu Yaobang's visit to eastern Guangdong, he discussed the issues of giving play to the advantages of mountainous areas and developing their economy both when he was with Lin Ruo, Guangdong Provincial CPC Committee secretary, and when he was talking with or having get-togethers with local cadres. He thought that we could develop economic crops in nearly all mountainous areas in China, north or south. On his journey, he found that when briefing him on the local situation, many comrades talked only about their total area of farmland. He said that this was an incorrect idea and that they had to talk about the total area of land, including farmland and all other land, mountains, and waters, and utilize and develop all land resources simultaneously. He hoped that the cadres of various areas would continue to use their heads and better enliven and develop the economy in their mountainous areas.

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NATIONAL POLICY AND ISSUES

PRC TO UPDATE POSTAL SERVICES, CLAMP DOWN ON CRIME

HK040358 Beijing CHINA DAILY in English 4 Mar 86 p 1

[Article by staff reporter Liu Dizhong]

[Text] New plans have been mapped out to update China's postal service, coupled with a determination to clamp down on criminal offences by employees.

The new plans include restoring the postcode system, expanding the national postal delivery network along major rivers and highways and importing trucks to help ease the problem of delays.

A nationwide check-up campaign will be launched in post and telecommunications, focussing on offences like opening private letters, theft of parcels and graft or embezzlement, Zhu Gaofeng, deputy minister of the Post and Telecommunications, said at a nation postal work meeting held yesterday in Beijing.

Zhu said his ministry had set targets for the Seventh Five-Year Plan period (1986-1990) to keep pace with the development of the national economy. By the end of 1990, the total mail volume is planned to reach 41.2 billion, an increase of 38 percent over 1985, and year-end earnings will amount to two billion yuan, up 63 percent on last year.

A number of factors are holding back the development of the postal service, including the fast-growing demand coupled with the lack of transport facilities and shortages of capital.

Zhu said the state had decided that all postal profits would be used by his ministry to improve the service and 90 percent of the state loans used for capital construction would not have to be paid back.

State investment in the postal service would also increase as the nation's economy developed, Zhu said.

Meanwhile, strict measures will be adopted to clamp down on criminal activities. A network of supervisors will be organized throughout the country.

More than 3,400 inspectors were involved in the nationwide check on postal service last year. As a result, more than 4,500 cases were exposed and 1,600 employees were found guilty of various offences.

Offenders must be severely punished in accordance with the laws because they discredited the post service as well as the state, Zhu said.

He also promised to crack down upon stamp speculators and forgers. Some postmen were involved in these illegal activities as well as the smuggling of stamps into Hong Kong and Macao.

The deputy minister said efforts would be made to increase stamp-selling channels to meet the demand of philatelists and to expand stamp production through technical modernization.

Philately has had a startling development in China in past few years. There were more than five million stamp collectors last year, a 50-fold increase over 1980. Also, the issue of various stamps rose to 4.13 billion last year from 2.17 billion in 1980, an increase of 90 percent in five years.

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CSO: 4020/236

NATIONAL POLICY AND ISSUES

ECONOMY MARKED BY VIGOROUS DEVELOPMENT

OW070241 Beijing XINHUA Domestic Service in Chinese 1133 GMT 5 Mar 86

[By reporter Wu Jincai]

[Text] Beijing, 5 Mar (XINHUA)--The Sixth 5-Year Plan period was 5 years marked by the most vigorous economic development of our country since the beginning of planned economy. Analysis of the statistical data for the Sixth 5-Year Plan period published by the State Statistical Bureau, comparing it with that for the five preceding 5-year plan periods, reveals that during the period, four drastic changes took place in the economic life of our country, changes never experienced before.

This 5-Year Period saw the development of major sectors of our national economy proceeding toward harmony. Reforms and readjustments made during the Sixth 5-Year Plan period accelerated the development of agriculture, light industry, and tertiary industry; slowed down the development of heavy industry; and reduced the rate of accumulation, bringing agriculture, light industry, and heavy industry into a more harmonious state than in the past. Calculated on the basis of the newly published annual statistical report, the percentage of agriculture in the gross value of industrial and agricultural production increased from 30 percent, registered before the start of the Sixth 5-Year Plan, to 34 percent last year. Of the value of agricultural production, almost half was accounted for by forestry, animal husbandry, sideline production, and fisheries. In industrial output value, light and heavy industries were basically equal. As for the social production structure, if viewed as a whole, the percentages of tertiary and primary industries rose remarkably in the gross national product. In our national income, accumulation and consumption were roughly maintained at a 3 to 7 ratio. The disproportionate problem that persisted for years has been changed.

This 5-year period also saw the commodity economy on the rise. First of all, the peasants, who had been able for years to meet their own requirements, took large quantities of surplus products to the market, and as a result, the percentage of agricultural products sold as commodities was maintained at approximately 50 percent. The total amount of retail sales of commodities doubled during the Sixth 5-Year Plan period, from some 210 billion yuan in 1980 to some 430 billion yuan last year. More and more peasants, factories, and trading enterprises shifted their attention

to the international market. As shown by the customs statistics, total imports and exports increased by 84 percent during the 5 years.

This 5-year period was marked by rapid and big expansion of lateral economic ties. The previous situation characterized by barriers between departments and regions--a significant symbol of the previous managerial system--began to change during the Sixth 5-Year Plan period, and economic and technical cooperation between different regions and trades was extensively carried out. During the 5 years, there were as many as some 70,000 such cooperative projects, and in 1985 alone, the amount involved in agreements signed for this kind of cooperation was 7 billion yuan; in addition, there were cooperative projects on supply of materials amounting to 16 billion yuan. This served to open channels for establishing ties between different departments and regions which had no economic contacts in the past. Analysis reveals that the nature of cooperation also gradually changed: In the past, cooperation mainly involved supply of materials; now, it has expanded to include technology, funds, and personnel as well as supply of materials.

These 5 years were also a period of parallel development of diverse economic forms. The urban individual and collective economies, which had gradually declined over the preceding years, developed once again and became noticeable forces in economic life during the Sixth 5-Year Plan period. For instance, in the 1985 amount of retail sales of commodities, the portion accounted for by the individual economy grew more than 100 percent, the growth rate of the part accounted for by the collective economy reached 19 percent, and that of the state-run economy, the dominant economy, was 13.6 percent. In total industrial output value, state-run industry grew 12.9 percent, while collective- and individual-run industries increased 30 percent and 150 percent respectively. This showed the same trend as in the case of retail sales of commodities. Development of diverse forms of economy brought about a dynamic, thriving, and gratifying economic scene.

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NATIONAL POLICY AND ISSUES

PRC JOURNAL ON DEFENSE GOODS PRODUCTION

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[Article by Fan Gongsong [2868 1872 1529] of the Political Education and Research Office of the Air Force Logistics School: "Several Questions About Socialist Production of Defense Goods"]

[Text] 1. Is socialist defense production commodity production, or not?

The defense production analyzed in this article refers to the production of military goods. It is the production of military equipment, facilities and technology supplied to military departments for defense needs.

That defense production in a capitalist production structure constitutes commodity production is no longer in question. But is the same thing true in a socialist production structure?

For a long time, the traditional view was that defense production enterprises were publicly owned enterprises that operated under the highest degree of socialist state ownership, that their production was carried out with a high degree of state mandatory planning, and that their products did not undergo market exchange, but became directly part of the sphere of defense expenditure, and that therefore military goods are products, not commodities, and defense production is product production, not commodity production. In my view, this attitude is one-sided and narrow.

First, military goods are produced by the common labor of defense production department workers, and not only do they have a use value, but also an actual value, which must be exchanged to be realized. It is simply that they are purchased by a single buyer--the state or the military. Though this sort of buying and selling relationship is somewhat different in form from commodity buying and selling relations, its basic essence as commodity production cannot as a consequence be denied.

Second, defense production enterprises must in the same way as other enterprises undergo independent economic accounting. Only by selling the military goods it produces to the military or the state can an enterprise gain the funds necessary for reproduction. Those funds used for livelihood

represent the remuneration of the enterprises employees. And for this labor remuneration to be transformed into individual consumption goods, and to satisfy the needs of the labor force for reproduction, it is in turn vital to undergo commodity exchange. In the sphere of production, though the vast majority of the raw materials, fuel and so on needed by defense enterprises is distributed or supplied under state planning channels, it also has to undergo economic accounting; moreover, a large number of other means of production are purchased directly from the market. If we recognize that the means of livelihood are commodities, and the means of production are also commodities, we cannot then deny that the process of reproduction of military goods is a process of commodity reproduction, and that defense enterprises which produce military goods are also commodity producers.

Third, all defense enterprises are enterprises run by the state. During the socialist period, however, the system of state ownership is an as yet incomplete, immature form of ownership system, and though the enterprise's means of production are owned by the state, they are in the possession of the enterprise itself, for its use and management, and the enterprise has its own partial interests; when the state purchases its products, and when enterprises have exchange contracts between themselves, the other side's economic interests must be recognized. Though what defense enterprises produce are special products, they are not different in essence, they are still produced by commodity producers with partial interests; the only thing that is different is division of labor, and they still have the relative independence of commodity producers.

Fourth, the socialist economy is a planned commodity economy built on the basis of the system of public ownership, and as an integral part of this economy, defense production will inevitably have the dual nature of the planned economy and the commodity economy. It is not possible within the scope of a socialist planned commodity economy to have an "isolated belt" of noncommodity economy.

Fifth, like other sectors of production, socialist defense production is not carried out in total isolation; it must constantly introduce foreign advanced military technology, and at the same time a portion of military products are used for export to create foreign currency. In this way, defense production departments appear on the international market as commodity producers.

2. The significance of recognizing that socialist defense production is commodity production

The affirmation of the commodity nature of defense production under socialist conditions is of important significance to doing a good job of building defense and of building the whole economy.

First, it is of benefit to building up wide range of commodity economy links, to breaking up the closed nature of defense production, to liberating the forces of defense production, and to promoting socioeconomic growth. In the past, because it was not recognized that defense production is commodity production, defense production enterprises were locked in an isolated sphere, with hardly any contact at all with socioeconomic life. This in turn

seriously curbed the forces of defense production and the development of all social production forces. For example, some of the fruits of scientific and technological research for defense production were of tremendous value to the development of civilian production, but they were held back rather than being promptly transmitted to the civilian sphere; China is the fifth country in the world to have successfully tested the atom bomb and in the more than 20 years since 1964 has established a whole production network around this, from mining and enriching uranium to nuclear element processing, but right up until today has not yet built a single nuclear power station. Again, China is the world's third country to put a satellite into space, but in the sphere of satellites for civilian use, it has only launched one experimental communications satellite. However brilliant the scientific and technological forces in the military sphere, and however concentrated its intellectual talent, even if it means accumulation and wastage, they cannot be transferred for use in the civilian sector. There is sharp contradiction inherent in the inability of defense enterprise production capacity to be fully exploited in civilian production, or to satisfy the material or cultural needs of the people. Only if we clearly recognize the commodity nature of defense production, do things according to the rules of socialized production demanded by the development of the commodity economy, and open up the great door that shuts away defense production, can we bring about a situation in which technology and personnel in the military and civilian sectors are able to permeate each other and circulate rationally, and thus promote the development of social and technological advance and economic construction.

Second, it is of benefit to the full use of the role of the economic lever, the improvement of enterprise management, and the increase of the initiative of enterprise employees. In the past, because defense enterprises were not recognized as having the relative independence of commodity producers, they were for a long time seen as subsidiaries of administrative organs, and it was mistakenly considered that defense production had to be accounted for politically, not economically. This situation developed until defense enterprises were operated under the supply system or semi-supply system, such that the enterprises ate out of the state's "big pot," and their workers ate out of the enterprises "big pot;" the situation was even more serious than in civilian enterprises, and defense enterprises lacked the necessary pressure, motivation and dynamism. If we recognize that defense production is commodity production and not simply product production, we can make transformations in the area of management thinking, policies, methods and style. We can establish concepts of investment, interest, profit, circulation of funds, and economic efficiency, and carry out the reform of the internal management system of these enterprises. For example, we can establish an information feedback system, strengthen the economic accounting system, encourage competition between defense enterprises, and promote the growth of the defense economy.

Third, it is of benefit to using the regulatory mechanism of the law of value, and reforming the present situation in which the irrational prices of military goods in turn affects the development of military goods production. For a long time now, the pricing methods for military goods have violated the requirements of the law of value. The method is roughly as follows: prices are calculated by adding 5 percent profit onto the basic cost of the goods; if

costs are different in different enterprises, prices for the same goods differ accordingly; the higher the cost, the higher the profit; the lower the cost, the lower the price, the lower the profit. Therefore, when doing their economic accounting, many defense enterprises do not lower consumption and raise their production rate, but conversely think up ways to keep consumption levels and man-hours high, so as to maintain the high cost of goods, and thereby gain higher profits. This pricing policy is patently unable to play the role of encouraging the advanced and punishing the backward, and seriously hinders the modernization of defense production. Therefore, it is necessary to change the way in which military goods prices are drawn up, to increase the profit rate of military goods, to eliminate the phenomenon of military goods prices seriously violating the law of value, and to genuinely turn prices into levers which encourage enterprises to transform technology, keep costs down, and increase economic efficiency.

Fourth, it is of benefit to overcoming the natural-economy attitude that everything must be "big and comprehensive" or "small but comprehensive," and to establish a specialized production system combining both military and civilian sectors for improving macroeconomic results. For a long time now, because the defense production system has not become part of the process of the commodity circulation of the entire national economy, there have been serious problems of each enterprise "becoming a system unto itself," "not turning to any other enterprise for anything," and being generally "big and all-embracing." By recognizing the commodity nature of defense production, we can effect proper cooperation on the basis of division of labor in the macroeconomic sphere, thus responding to the demands of commodity economic growth. Presently, there is an urgent need to establish in our country an economic system combining both civilian and military spheres; that is, combining them according to similarities in technology and product structure, and based on the cities, to organize and set up industrial companies. For example, a company may be formed which deals with tanks, armored cars, tractors, cranes, and other such products; another may deal with heavy machinery, heavy-caliber cannon, and so on. These companies will ordinarily produce civilian goods, and in wartime produce mainly military goods; not only will they thus avoid the problems of high costs and poor economic results engendered by the "comprehensive" enterprise system, and give full play to their productive capacity, raising their economic results; they will also help standardize, broaden, and systematize the production of technology and products. From now on, within the network of the socialist planned commodity economy, whenever a defense enterprise is capable of producing sufficient civilian goods to satisfy social demand, a civilian factory producing similar goods will not be built, and whenever a civilian factory is able to produce sufficient military goods to satisfy the needs of the military, a military enterprise producing similar goods will not be built. In this way, defense and civilian enterprise structures will gradually become more rational.

5. The differences between socialist defense commodity production and other sectors of commodity production

Under socialist conditions, as a special economic sector of the state, defense commodity production has many differences from commodity production in other sectors of the economy.

First, viewed from the aims of production, in nondefense production the purpose is to satisfy the ever-growing material and cultural needs of the people. This aim is unanimous with that of all socialist production, and the material manifestation of that aim. The purpose of defense production, however, is the production of materials of consumption for military affairs and for war. This aim does not constitute a direct embodiment of the aim of socialist production, but instead the means by which to guarantee the direct manifestation of the aims of socialist production by nondefense production sectors.

Second, viewed from the main forms of producers, the main forms of nondefense sectors or enterprises under socialist conditions are state owned, collectively owned, or individually owned, and there are also joint Chinese-foreign investment enterprises and independent foreign businesses. The only form of socialist defense commodity production, however, is state owned; it is not permitted for collectives or individuals to deal in the production and management of military goods.

Third, from the aspect of the goods produced, some of the products produced by nondefense enterprises may be means of production, while others may be means of livelihood; they can constantly enter the process of social reproduction. Goods produced by defense enterprises, on the other hand, such as guns, bombs, tanks, and armored vehicles, are neither means of livelihood nor ordinary consumption goods; they can take part neither in production consumption, nor in individual consumption. As soon as they are produced, they withdraw from the process of social reproduction. Even if defense enterprises produce a certain amount of means of livelihood for the food, clothing, living and movement of troops, they are simply special materiel for troop (or fighting) strength. But as specialized products, military goods represent fighting forces in war, when they are used to wipe out the enemy. When in peacetime they become part of defense forces which stabilize the international political situation, and protect world peace and the security of socialist countries.

Fourth, from the point of view of market circulation, defense goods can neither be purchased by ordinary producers, nor by ordinary citizens; their only buyers are the state and the military. Hence the scale and structure of the production and circulation of military goods does not rely on the purchasing power of society or citizens, but is dictated by the defense needs of the state and the military, the actual economic strength of the country, the world political situation, and other such factors.

Fifth, defense goods production has another marked characteristic, which is the strict secrecy surrounding the plans drawn up for production, the variety of products produced, the specifications, and the quantity, quality, and capability targets.

The recognition and awareness of these special characteristics of defense goods production is of benefit to our correct handling of the various relationships between defense production and civilian production in the current socialist modernization, and to our establishment of a socialist

defense production system and management form which is suited to our country's defense needs and which possesses Chinese characteristics.

4. The status and role of defense commodity production in the socialist reproduction system

Socialist defense goods production is an important integral part of the socialist production system, and exercises an important role in socialist reproduction. This can be analysed through its relations with the two major sectors of socialist reproduction.

Defense production may be divided into two parts: the production of the means of military livelihood and the production of special means of consumption, such as armaments. Both categories also need means of production and livelihood and their source of means of production is the first category of social reproduction, while the source of their means of livelihood is the second category of social reproduction. In the case of the first civilian category, what remains after it has satisfied the needs of its own category and of the second category of civilian production may be used to satisfy the needs of the two categories of military production, but the two categories of military production cannot be supplied to any product of the first civilian category; it can only give some compensation in terms of value, while thus value compensation is ultimately simply a part of the national income created by civilian production. It can be said that this is a one-way circulation of commodities dictated by the special nature of defense commodity production and circulation. Furthermore, the means of life in the second civilian category remaining after the needs of that second category and the first civilian category have been satisfied may also be supplied to fulfill the needs for means of livelihood in both military categories. This is also a one-way circulation of commodities.

As a special integral part of socialist production, defense production clearly manifests its status in socialist reproduction in its reliance on the two categories of civilian production. That is to say, military goods production cannot be carried on independently on the basis of itself; it relies wholly on the two categories of civilian production. At the same time, military goods reproduction cannot possibly be carried out independently, because once military goods are produced, they are immediately withdrawn from the process of reproduction. Therefore, the relationship between military goods production and civilian production's two categories can be said to be a "parasitic" relationship of reliance.

Although the growth of socialist defense production relies on civilian production growth, it by no means has an effect on civilian production growth. This sort of reaction is manifested mainly as a spurring effect within a fixed period of time.

First, the growth of socialist defense commodity production requires the growth of means of production and livelihood; therefore it is bound to promote the growth of the two categories of civilian production, which aids the employment situation. When defense production departments, in response to changes in defense needs, constantly raise new demands for means of production

and life from the civilian sector, they are even more able to promote the growth of civilian production to further limits.

Second, with the speedy development of innovation in technology, engineering, and products, the advanced technology of military production and a certain portion of military products are transferred directly to civilian production sectors, promoting technological transformation and renewal of first- and second-category civilian production, and promoting the growth of the social forces of production.

Third, with the growth of socialist defense production, its products will to a certain extent be exported to the Third World, which will both provide military aid to Third World countries and accumulate foreign exchange for our country's socialist economic construction.

But under socialist conditions, defense production also has unbeneficial effects on social reproduction. As we have said before, military goods production has a special nature; military goods are consumed during training or war and cannot add to social wealth; they can only consume social wealth. Hence the more military goods are produced, the more is deducted from the national income, and the less is used for civilian production. This situation ultimately affects the growth of social reproduction, and limits the full realization of socialist production aims. Our realization of this objective disadvantage is helpful to us when deciding upon how to correctly handle the relationship between defense and civilian production, and how to promote the speedy growth of socialist production.

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NATIONAL POLICY AND ISSUES

PRC JOURNAL LOOKS AT URBAN ECONOMIC ZONES

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[Article by Yang Mingyuan [2799 2494 6678] and Wang Yueming [3769 2574 2494]:
"A Study of Several Questions About Urban Economic Zones"]

[Text] 1. The concept of urban economic zones and their characteristics

So far, understanding our country's theoretical circles concerning the urban economic zone is not entirely unanimous. Roughly speaking, there are two views: one, that the urban economic zone is a production region or unit, based on divisions of labor within society, and with clear regional differences; that is, a synthetic and comprehensive regional production entity. This view approaches the issue mainly from the view point of the rational deployment of production forces, and its aim is to achieve, through economic zone divisions, the best spatial structure of production forces and maximum economic efficiency. Therefore, it proposes that urban economic zones have suitably clear and relatively stable borders. The other view is that the urban economic zone is mainly a network-like economic organizational form "woven on a plane, with radial links," which meets the requirements for regional development of the commodity economy and relies on the central cities; that is, an integrated regional economic body. Its aim is to reform the present management system which is mainly administrative, or vertical, into a mainly regional, or horizontal, system, and to form an economic network comprising a variety of integrated rural bodies and horizontal and vertical links, which will meet the requirements for the deployment and growth of the forces of production. Therefore, it proposes that there is no need for urban economic zones to have clear and stable borders; all they need is a rough "area." It is considered that actual and concrete borders are not of any really strict significance to urban economic zones. The real essence of urban economic zones lies in the achievement of a regional economic network which is open.

In our view, both the above views are commendable, but they are both a little one-sided. As something new which has appeared in the process of the reform, the urban economic zone has its own special nature, and is neither similar to the traditional, ordinary synthetic economic zones which have as their main task the deployment of production forces, nor a purely economic organizational form which changes arbitrarily in isolation from its location. From the point of view of its essence, the urban economic zone is a new economic concept

combining a certain spatial economic activity and economic management, and one which combines the forces and relations of production. Otherwise, if we understand the urban economic zone from one side only, it would be difficult to grasp its internal implications and external scope.

According to the above analysis, then, it can be considered that the urban economic zone is a regional, network-like economic integrated body which is constructed on the basis of objective regional production centers and relies on central cities. From the viewpoint of giving full play to the role of the central cities, more attention should be paid to the capacity for unified organization of production and circulation of the urban economic zone, and work should be carried out by consciously following the objective law of the urban leading the rural.

Further analysis of the characteristics of the urban economic zone helps deepen our understanding of this concept. The urban economic zone has the following main characteristics:

First, the urban economic zone has broken through the dominant status of the central city. A city, particularly a central city, generally has advanced industrial production capacity, an advanced commodity circulation system, lively means of information exchange, good communications conditions, and a large number of high-level science and technology personnel. It is the political, economic and cultural center of the state or the region, and its dominant position in the economic region is an objective fact, with deep social and economic roots. The leadership of the countryside by the city is an objective law of socialist construction. The breaking through of the dominant position of the central city is an objective requirement of the development of the socialist commodity economy.

Second, the urban economic zone has broken through the function of cities in organizing the economy. By working according to the demands of the law of value, making effective use of the urban economic zone, unifying organization of urban and rural production and circulation, coordinating urban and rural economic activities, and rationally deploying urban and rural production forces, it is possible to give full play to the central role of cities in organizing the economy, to combine the two markets of town and countryside and their advantages, to promote the region's economy, and to promote the growth of the entire national economy.

Third, the urban economic zone represents a zone based on economic divisions which coordinates the different natural and historical economic zones. It is a vast open system appropriate to socialized mass production, and is a multilevel structure; it is not a "big and all-embracing" or "small but all-embracing" isolated regional economy, but an open regional economy; it not only effects the economic linkage between various departments, sectors, and ownership systems within the zone itself, but also links up regions within the country and outside it. Under the unified guidance of state plans, it brings out strong points, exploits advantages, gains maximum results for the regional economy, and thereby gains maximum results for the entire national economy.

Fourth, the urban economic zone is a new type of economic management system. The various characteristics of a city, particularly a large city, such as its economy's concentration, openness, efficiency, and versatility, make it the center of regional, administrative, and urban-rural combination. If national economic activities rely on the pivot of social reproduction which is the city, then the planned economy will link up with the commodity economy, the administrative will link up with the regional, administrative methods will link up with economic management methods, and a rational socialist economic system is formed. In this way, we can break through the long-existing old model of economic management in which the administrative and the regional were separated, and establish a new type of economic management system in which the administrative and regional and the urban and rural are linked up, greatly promoting the growth of social production forces. From this we can see that the establishment of economic zones is not simply a question of organizing economic activities, but a strategic question which has a bearing on the construction of our country's new national economic management system.

2. The principle of demarcating urban economic zones

An economic zone is the projection of the economic structure on land space. Scientific economic zone divisions are the basis and prerequisite for the scientific establishment of zones, and benefit the macroeconomic, strategic organization of rational cooperation between economic zones and rational economic structure within economic zones over fairly long periods of growth. Through analysis and comparison of the actual conditions and main advantages of the various regions, along with their main contradictions, it is possible to clarify the key construction points for each zone, along with the order in which they are to develop and the main orientation of this development, and thereby to develop each region in a way beneficial to the state and in a way suited to each zone, and to rationally deploy the forces of production nationwide and effectively give play to the central role of large and medium-sized urban economies. The work of demarcating urban economic zones represents an urgent requirement for the speedy development of the urban and rural economy.

The urban economic zone has been formed on the basis of constant change and development in social division of labor and of constant increase in strength of horizontal economic relations. Dividing up economic zones means dividing according to objectively-existing differences in level and characteristics between regional economic systems or integrated bodies, and according to the extent of closeness of ties between central cities and regions.

The overall requirement for demarcating urban economic zones is: on the basis of the requirements of the rational deployment of production forces and the principle of division of labor, and with large or medium-sized cities as the basis, synthesize the vertical and horizontal, the urban and rural, and the microeconomic and macroeconomic, and make every region of the national economy develop in a way which suits each one, making it grow in a rational way and achieve the maximum economic results.

The actual implementation of the demarcation of urban economic zones, should be based on the following principles:

1) The principle of relying on economic centers. This is the most obvious difference between urban economic zones and other economic zones. From the aspect of urban structure, the urban economic zone is composed of, on the one hand, an economic center formed from a large, medium-sized or small city or village, and, on the other hand, from the surrounding rural area which is closely linked with it. The central city is the economic center of the whole economic zone; it exercises a central, dominant role in the development of the zone's economy. An urban economic zone must have at least one zone-wide economic center, and an economic center of a regional nature; only by forming an economic network system based on the various economic centers is it possible to give full play to the central role of the city and to organize and coordinate the region's economy in a unified way. Therefore, when demarcating an urban economic zone, it is first necessary to take into account the existence of a central city and urban system to rely upon, and it is especially necessary to analyze the economic strengths of the city (radial strength, attractiveness, and the capacity for providing comprehensive services), along with the extent of its linkage with the region. If there is no central city to be relied upon in this way, it is obvious at least that the area cannot be described as an urban economic zone.

2) The principle of combined specialized and overall growth. For a region, specialized production constitutes the dominant and backbone force of the economy; it often promotes the development of the entire region. Consequently when demarcating an urban economic zone, it is necessary to think from the aspect of resources and production organization; this will help exploit the advantages of each central city and its economic zone. Close attention should be paid to developing the specialized division of labor between zones for which the most favorable conditions exist and which produces products of nationwide significance. But specialized production departments cannot exist in isolation; their growth relies on the support of comprehensive departments which back them up and create good production conditions. Hence within each economic zone it is necessary to concentrate on the development of specialized production departments, but to this end it is necessary to develop some comprehensive departments which make use of resource potential, and which mainly satisfy the production and living needs of the zone in question. An economic zone must consist of a regional economic synthesis with its own characteristics, which combines specialization and overall development.

3) The principle of relative unification between economic zones and administrative zones. Relatively fixed and stable administrative zones are no longer suited to the objective demands of economic zones which have been formed by the development of the forces of production and ever-increasing lateral economic links between areas. Administrative zones cannot be substituted for economic zones. But since our country's administrative zones have the function of managing the economy, to help planning and make use of the necessary statistical materials, the demarcation of economic zones should take appropriate account of administrative zone borders, and as far as possible take into consideration the wholeness of administrative zones, maintaining a certain amount of unity with them. In general, county level administrative zones should be kept whole. The demarcation of economic zones

should neither keep blindly to that of administrative zones, nor disregard them entirely.

4) The principle of unity between present and future. The demarcation of economic zones should be based both on present conditions, taking full account of the conditions for actual economic development and its restrictive factors, and at the same time have its eyes on the need for future development; present and future needs should be closely combined, such that economic zone demarcation is not only realistic but to a certain extent prescient and strategic.

3. The network model in an urban economic zone

The establishment of an economic zone should be linked with the formation of a rational economic network. An economic network is a multilevel structure, consisting of a vertical network comprising small enterprises, integrated economic bodies, and large economic zones. Meanwhile a close lateral economic network may be formed between economic zones, and between the various departments and enterprises within each zone. The model for these two networks is as follows: large and small centers scattered everywhere, with radial connections, woven on a plane; smooth links from top to bottom, close lateral relations, combination and coordinated development between the various parts, and all of this forming a lively economic entity.

In general, in a multifunctional, open-type economic zone relying on a big or medium-sized city, a rational economic network should include a production coordination network (comprising mainly industry and agriculture), a commodity circulation network, a technological development network, an economic information network, a transport and communications network, a city-town network, and so on.

Production coordination network. In general modernized central cities comprise industrial groupings, with a primary and secondary backbone industry plus a large number of other enterprises. The development of this sort of urban industry requires on the one hand the establishment in the surrounding area of a base area for agricultural and raw materials, to provide the materials necessary for processing industries; and on the other hand, the development of urban industry itself requires rational planning, appropriate expansion, and the prevention of urban inflation and environmental pollution. A production coordination network requires us to break down barriers between regions and departments and between town and countryside, to develop lateral links, and on the basis of urban industry, and based on the principle of specialized coordination and improved economic results, to increase the scale of each sector of industry and gradually establish an urban-rural industrial network. In general, the actual strength of the industrial economy dictates the breadth and depth of the production network, and within an economic zone it is necessary as far as possible to develop all sorts of "vanguard" products and superior sectors of industry to act as the mainstays of the production coordination network; it is possible to use a certain "vanguard" product as the "head of the dragon," or the head of a chain, to organize all sorts of integrated economic bodies, changing small production into mass production, exploiting advantages, and capturing more of the market.

The commodity circulation network. The commodity exchange activities within a central city are multifarious, and the organization of a rational commodity circulation network is a necessary condition for commodity economic development. It helps the swift transition of commodities from production to consumption by the shortest route, through the fewest links, and at minimum cost. It also helps strengthen economic ties between zones and between city and countryside, and forms a unified socialist market. It helps link production with consumption, and consequently encourages production to respond to the needs of consumers. It helps develop foreign trade and expand foreign economic exchange according to plans, and makes the transfer of import-export goods, equipment, and technology more rational and speedy. To set up this kind of commodity circulation network, it is necessary to take as the starting point a particular characteristic of urban-rural economic development within a certain zone, and to rationalize commodity exchange within that sphere. With regard to circulation channels, it is necessary to handle correctly the relationship between the main and subsidiary channels. In terms of commodity organization, it is necessary to encourage the full exploitation of the role of economic centers in collecting and distributing commodities.

Central cities should set up open, multi-channeled, wholesale networks with few links, and give further play into the role of commodity centers. At the same time, the needs of the whole economic zone should be taken as the starting point, and on this basis more wholesale centers should be set up according to natural commodity circulation channels to meet the needs of the developing retail network and trade exchange. We must continue to do a good job of running the various types of trade centers, and allow economic organizations comprising different forms of economic combination to enter the trade centers. We must open the doors, and welcome all regions and people from all circles to come to the central cities to set up shops and service industries; we must especially welcome counties, townships and villages within the economic zone to come to the central city to open up various sorts of agricultural trade markets, and agricultural sideline product wholesale trade markets. In the villages nearby the central cities, we must gradually establish multilevel rural trade centers centered on countys, towns and small towns, increasing the commodity network, and meeting the needs of rural economic development.

Technological development network. This is a network system including technological development, popularization, information, and training. The technological development network is a network system centered on the city, supported by many academic disciplines, with many levels and linking town and countryside. Taking as its subjects technological development, in-depth processing, comprehensive utilization, technological transformation of enterprises, and particularly the development of scientific research sectors and the development of the rural economy, it combines scientific research, production, and utilization, organizes forces from all sides, and establishes a network of technological development, which plays its role in the development of the economic zone.

Economic information network. Socialized mass production, whether in the city or the countryside, whether in production or circulation, needs economic

information. Therefore, the establishment of a dynamic and responsive information network is extremely important. It is necessary both to make full use of the existing traditional links for vertical economic information used by the administrative departments, and to open up lateral economic information links between enterprises, counties and cities, to establish a multi-directional economic information exchange center and information network. Furthermore, conditions must gradually be created for the establishment of an information network between central cities which would periodically publish information and forecasts, so as to help in the correct guidance of economic activities.

Transport and communications network. The radial economic network connecting the city with its surrounding region cannot do without communications and transport, and post and telecommunications. The way a zone develops, and how fast its economy grows, is related directly to the state of its transport and communications. The establishment of a transport and communications network must start with the rationalization of the communications structure. Appropriate readjustments must be carried out in the existing communications structure, and efforts made to develop road and water transport, so as to coordinate development of a variety of transportation means. Second, efforts must be made to develop rural small town and county first level communications network, to mobilize the masses to collect funds for road and bridge building, and to link up urban and rural transportation networks, thereby helping develop urban and rural economies. Third, taking economic efficiency as the starting point, and on the principle of taking the shortest route, organize a rational communications system, and avoid roundabout routes. Fourth, make concerted efforts to develop integrated transportation, organize idle vehicles, and promote the great development of the urban and rural commodity economy.

City and town network. What all the above networks rely on is the city and town network. We must carry out the central committee's policy on "controlling the scale of large cities, rationally developing medium-scale cities, and actively developing small towns," and concentrate on the development of small towns and villages. We must gradually bring about the rational coordination of large, medium and small cities and small towns, and form a rationally-structured, multilevel town and city network, and use this as a basis on which to establish all of the other networks in the economic zone, and thereby promote urban-rural economic development.

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CSO: 4006/646

PROVINCIAL AFFAIRS

GUANGXI PEOPLE'S CONGRESS MEETING OPENS 25 FEB

HK270615 Nanning Guangxi Regional Service in Mandarin 1100 GMT 25 Feb 86

[Excerpts] The 19th meeting of the 6th regional People's Congress Standing Committee opened in Nanning this morning. Gan Ku, chairman of the regional People's Congress Standing Committee, presided over today's plenary meeting and gave explanations of the agenda and schedule of this Standing Committee meeting. He said: This Standing Committee meeting will mainly listen to, examine, and discuss the report made by the regional people's government on the situation in helping poor areas in our region lift themselves out of poverty and get rich over the past year, the report made by the regional township and town enterprise bureau on the situation in township and town enterprises in our region, and the report made by the regional physical culture committee on the situation in physical cultural work in our region, and examine, discuss, and adopt the decision on holding the fourth session of the sixth regional People's Congress. The meeting will last 5 days.

At today's meeting, (Liang Guoluo), deputy secretary general of the regional people's government, made the report on the situation in helping poor areas in our region lift themselves out of poverty and get rich over the past year; and (Huang Tegui), deputy director of the regional township and town enterprise bureau, made the report on the situation in township and town enterprises in our region.

In his report, (Liang Guoluo) said: Over the past year, people's governments at all levels in our region have seriously implemented the circular of the CPC Central Committee and State Council on helping areas change their outlook as soon as possible. They have done a lot of work to develop production in mountainous areas and to invigorate the mountain area economy. They have scored certain achievements.

(Liang Guoluo) pointed out: At present, it is necessary to seriously organize the cadres and the masses to study Comrade Hu Yaobang's instructions when visiting Guangxi to inspect work this year and to strengthen the sense of our responsibility for, and confidence on, improving the poor mountainous areas. It is essential to teach the cadres and the masses to carry forward the spirit of self-reliance and struggling hard. With state assistance, we must start the work of helping the poor areas lift themselves out of poverty and get rich.

Attending the meeting were Zhong Feng, Li Yindan, Lin Kewu, Shi Zhaotang, Huang Jia, Zhao Mingjian, Wei Zhangping, and Zhang Jingning, vice chairmen of the regional People's Congress Standing Committee, and committee members. Attending today's meeting as nonvoting delegates were Zhang Chunyuan, vice chairman of the regional People's government, and responsible persons of the regional Higher People's Court, regional People's Procuratorate, regional labor and personnel department, and some county People's Congress Standing Committees.

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CSO: 4006/780

PROVINCIAL AFFAIRS

HUBEI HOLDS MEETING ON NATIONALITY ECONOMY, UNITY

HK180602 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 16 Jan 86

[Excerpts] The first provincial conference on exchanging experiences in developing the nationality economy and strengthening nationality unity ended in Wuhan on 16 January. Some 150 representatives of the Tujia, Miao, Hui, Dong, and Man nationalities from all parts of the province summed up and exchanged experiences in developing the nationality economy and Plenary Session of the 11th CPC Central Committee. The conference commended 30 advanced units and 35 advanced individuals that have made outstanding achievements in building the four modernizations.

Responsible comrades of the provincial CPC Committee, the provincial People's Congress Standing Committee, the provincial government, the provincial CPPCC Committee, and the provincial CPC Committee United Front Work Department attended the conference, including Zhao Fulin, Lin Musen, Wang Libin, Wu Jinbiao, and Ma Weiqing.

Zhao Fulin, deputy secretary of the provincial CPC Committee, and Wang Libin, provincial vice governor, delivered speeches at the conference. They urged party committees and governments at all levels to fully understand the importance of strengthening nationality unity, to seriously implement the various nationality policies of the party, to strengthen investigations and study in nationality areas, and to vigorously support the development of the nationality economy. Minority nationalities must also rely on their own effort to exploit and use the abundant natural resources to get rid of poverty and become rich, and to stimulate the nationality economy.

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CSO: 4006/779

PROVINCIAL AFFAIRS

HUNAN PEOPLE'S CONGRESS TO HOLD SESSION IN MAY

HK252306 Changsha Hunan Provincial Service in Mandarin 1100 GMT 23 Feb 86

[Text] On the morning of 23 February, the 18th Session of the 5th provincial People's Congress Standing Committee decided to hold the 4th Session of the 6th provincial People's Congress at Changsha in May 1986.

The proposed agenda for the fourth session is to listen to and discuss the government work report and the report on drafting the province's national economy and social development for the Seventh 5-Year Plan. It also includes the examination of the province's Seventh 5-Year Plan, the plans for the national economy and social development in 1986, the final accounts for 1985, and the 1986 budget. It also includes discussion of the work reports made by the provincial People's Congress Standing Committee, the provincial People's Higher Court, and the provincial Procuratorate.

The plenary session, in the morning of 23 February was also a closing session. It was presided over by Chairman Jiao Linyi.

The session elected Peng Qingyuan, member of the six CPPCC, vice chairman of the Kuomintang Revolutionary Committee Central Committee, and deputy secretary general of the NPC Standing Committee, as the province's delegate to the Sixth NPC. The session also appointed (Tao Mu) as chairman of the provincial scientific and technological committee, (Zhu Dongyang) as director of the provincial public security department, (You Bizhu) as head of the provincial office for foreign affairs, and (He Subing) as deputy procurator of the provincial People's Procuratorate.

The session also adopted resolutions on other appointments and dismissals.

The session decided that the fourth session of the sixth provincial People's Congress would be held at Changsha in May 1986. It also adopted resolutions on really lightening the economic burden of peasants and on arbitrarily occupying and using farmland.

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CSO: 4006/780

PROVINCIAL AFFAIRS

JILIN PEOPLE'S CONGRESS STANDING COMMITTEE OPENS

SK220204 Changchun Jilin Provincial Service in Mandarin 1030 GMT 17 Feb 86

[Text] The 17th Standing Committee meeting of the 6th provincial People's Congress was held in Changchun today.

The main agenda items of the meeting are to relay the guidelines of the 14th Standing Committee meeting of the 6th NPC; to examine and discuss the draft decision on convening the 4th session of the 6th provincial People's Congress, the draft regulations on protecting the rights and interests of the urban collective enterprises, and the draft regulations on the management of the urban construction; and to hear and also to examine and discuss the report on the situation of implementing the proposal for vigorously developing primary and middle schools made by the provincial educational commission, and the report on the situation of implementing the economic contract law made by the provincial industrial and commercial administrative bureau.

Zhao Xiu, chairman of the provincial People's Congress Standing Committee, presided over this morning's plenary meeting. Wang Jiren, vice chairman of the provincial People's Congress Standing Committee, relayed the guidelines of the 14th Standing Committee meeting of the 6th NPC. Gao Wen, vice governor of the province, explained the draft regulations on protecting the rights and interests of the urban collective enterprises. (Fan Sheng), director of the provincial urban construction and environmental protection department, explained the draft regulations on the management of urban construction.

Present at the meeting were vice chairmen of the provincial People's Congress Standing Committee, including Huo Mingguang, Liu Cikai, Cheng Shengsan, Wu Duo, Cui Lin, Wang Jiren, Yu Ruihuang, Dong Su, Renqinzhamusu, Zhu Jinghang, and Xu Yuancun. Attending the meeting as observers were Gao Wen, vice governor of the province; Wang Hongmo, president of the provincial Higher People's Court; and responsible persons of the provincial People's Procuratorate, provincial-level departments concerned, the city and autonomous prefectural People's Congress Standing Committees, and the Baicheng prefectural office in charge of People's Congress work.

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CSO: 4006/780

PROVINCIAL AFFAIRS

PEOPLE'S CONGRESS STANDING COMMITTEE MEETING ENDS

SK220343 Changchun Jilin Provincial Service in Mandarin 1030 GMT 21 Feb 86

[Text] After a 5-day session, the 17th Standing Committee meeting of the 6th provincial People's Congress concluded in Changchun City on the afternoon of 21 February. The meeting decided to convene the fourth session of the sixth provincial People's Congress in Changchun City on 9 March this year.

The major items of the session's agenda will be to hear the work report given by the provincial People's Government; to examine and approve the 1986 plans for the national economy and social development; to examine and approve the 1985 final financial accounts and the 1986 budget; to hear the work reports given by the provincial People's Congress Standing Committee, the provincial Higher People's Court, and the provincial People's Procuratorate; and to conduct electoral affairs.

The meeting also approved the regulations on protecting the rights and interests of the urban collective enterprises and the regulations on the management of urban construction, as well as the namelist of personnel changes.

In concluding the meeting, Zhao Xiu, chairman of the provincial People's Congress Standing Committee, delivered a speech on the issue of making thorough preparations for the success of the fourth session of the sixth provincial People's Congress.

Attending the meeting were vice chairmen of the provincial People's Congress Standing Committee, including Liu Cikai, Cheng Shengsan, Wu Duo, Cui Lin, Wang Jiren, Yu Yuihuang, Dong Su, Renqizhamusu, Zhu Jinghang, and Xu Yuancun.

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CSO: 4006/780

PROVINCIAL AFFAIRS

QINGHAI TO CONVENE PROVINCIAL PEOPLE'S CONGRESS SESSION

HK230403 Xining Qinghai Provincial Service in Mandarin 2330 GMT 20 Feb 86

[Excerpts] The 17th meeting of the 6th provincial People's Congress Standing Committee concluded in Xining yesterday afternoon [20 Feb]. During the meeting, all participating members examined and adopted a decision on the date for convening the 4th session of the 6th provincial People's Congress; examined and adopted major points of work to be done by the provincial People's Congress Standing Committee in 1986; adopted a resolution on strengthening auditing supervision; and discussed and approved appointments and removals.

The meeting decided to convene the 4th session of the 6th provincial People's Congress on 23 April in Xining.

In panel examinations and discussions, the members fully affirmed achievements the province has made in fighting natural disasters, rescuing people, and protecting domestic animals. They were satisfied with the relief work.

The meeting pointed out that after the focus of relief work has been gradually shifted, from rescuing people and protecting domestic animals, to protecting people and domestic animals, we must not lose our vigilance. We must realize that the province is now charged with the arduous task of fighting against natural disaster, rescuing people, and protecting domestic animals. We must correctly understand the situation properly, advance on the crest of victory, make persistent efforts, continue to carry out all work in a down-to-earth manner, and win final victory in the struggle against natural disasters.

On 20 February the 17th meeting of the 6th provincial People's Congress adopted a resolution on strengthening auditing supervision.

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CSO: 4006/780

JPRS-CEA-86-032
25 March 1986

PROVINCIAL AFFAIRS

SHANGHAI CPC CONGRESS SCHEDULE, AGENDA COMPLETED

OW270621 Shanghai City Service in Mandarin 0100 GMT 25 Feb 86

[Text] Preparations for the Fifth Shanghai Municipal CPC Congress, which is scheduled to open in early March, have been basically completed.

Main items on the meeting's agenda are:

1. Implementing the guidelines of the National Conference of CPC Delegates.
2. Further fulfilling the tasks approved and transmitted by the State Council in a summarized report on Shanghai's economic development strategies.
3. Discussing and prescribing the main tasks, objectives, policies, and measures for Shanghai's economic and social development during the Seventh 5-Year Plan.
4. Electing the Fifth Shanghai Municipal CPC Committee, the Shanghai Municipal CPC Advisory Commission, and the Shanghai Municipal CPC Discipline Inspection Commission.
5. Mobilizing Shanghai's CPC members and people to foster unity, uphold reform and the open policy with one heart and one mind, expedite the process of reform and of invigorating Shanghai, and make new contributions of China's socialist modernization drive.

In nominating, deliberating, and electing deputies to the Fifth Shanghai Municipal CPC Congress, electoral units strictly followed the principle of democratic centralism, in accordance with the party constitution, gave full play to the democratic process, extensively collected opinions from all quarters, and nominated the candidates favored by the majority. They then elected the deputies by secret ballot, having eliminated the excess candidates in preliminary elections.

The number of the deputies elected to this congress is the greatest compared with past Shanghai party congress. There are more than 900 political deputies, representing Shanghai's 800,000-odd party members and reflecting the increased strength of Shanghai's party machine.

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CSO: 4006/780

OFFICIALS PAY NEW YEAR CALLS ON DEFENSE WORKERS IN SICHUAN

HK110633 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 9 Feb 86

[Excerpts] On the first day of the lunar new year, leading comrades of the provincial CPC Committee, government, and departments concerned went to the units at the grassroots levels in Chengdu to pay new year calls to the comrades on duty. Yang Rudai, Nie Ronggui, Jiang Minkuan, Bai Shangwu, Xu Chuan, Gu Jinchi, Liu Chunfu, Kang Zhenhuang, Ma Lin, Pu Haiqing, and Qiao Zhimin took part in the activities to celebrate the Spring Festival.

Yang Rudai, secretary of the provincial CPC Committee, and other responsible comrades of the departments concerned of the province and Chengdu City went to the Chengdu engine company, a subsidiary of the Ministry of Aviation Industry, to pay new year calls to workers, staff members, and their relatives. Yang Rudai told the comrades of the company cheerfully: We have come here today to convey our festival greetings to the workers, staff members, and their relatives as well as to seek a way to lead Sichuan to prosperity. Sichuan has two major advantages. The first one is the fine natural climate for agriculture. We have made the most of this advantage in recent years. With land accounting for 6.6 percent of the nation's total territory, we have solved the problem of food and clothing of one-tenth of the nation's population as well as supplied surplus farm products to the state. We must make further efforts to develop such an advantage and make greater contributions to the state. The other one is the 30 billion yuan invested recently by the state in Sichuan and the number of large tertiary enterprises set up. These enterprises have sophisticated equipment and a contingent of scientific and technological personnel. We have yet to make the most of this advantage. During a recent tour of Sichuan, a leading comrade of the CPC Central Committee pointed out: The ranks of scientists and technological experts of the national defense industry are the core members of the nation's scientific and technological personnel. The equipment and machines of the national defense industry are also the key elements of the nation's machine-building industry as a whole. There are latent potentials that can be tapped in this field. The CPC Central Committee and the State Council place great hope on you and expect you to make the most of your advantages in contributing to the building of the national defense and economy. The provincial CPC Committee, government, and people also place great hope in the enterprises of the national defense industry and expect you to make new contributions to the prosperity of Sichuan.

Governor Jiang Minkuan, Vice Governor Liu Chunfu, and Vice Mayor of Chengdu (He Chengjie) went to Hongqi department store yesterday to extend their new year greetings to the staff members on duty.

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CSO: 4006/779

ECONOMIC PLANNING

FIVE STRATEGIES TO DEVELOP MOUNTAINOUS REGIONS

Fuzhou FUJIAN RIBAO in Chinese 30 Sep 85 p 2

[Article by Xin Shimin [2946 1102 2404]: "Recognize, Develop, and Quicken the Economic Development of Mountainous Regions: Hasten the Voyage of the Economic Development of Mountainous Regions"; passages enclosed in *slantlines in italics*]

[Text] The national resources of our province's mountainous regions are abundant. After more than 30 years of construction, the economy of the mountainous regions already has the appropriate scope and foundation to make numerous contributions to our province's construction of the four modernizations. However, due to various reasons that resulted in an illogical agricultural structure in mountainous regions, the production level is rather low. The commodity economy is not flourishing, the industrial base is weak, and economic efficiency tends to be low. Energy sources are insufficient and transportation is inconvenient. There is a critical shortage of talented people. The numerous and abundant natural resources have not yet been well exploited and utilized. Some of the regions still have not cast off poverty and backwardness, and the problem of adequate food and clothing for the masses has not been solved. Therefore, on the basis of correctly recognizing the present state of the mountainous regions's economic development, how to accelerate the economic development of the mountainous regions and promote comprehensive and vigorous development of our province's economy are problems deserving serious inquiry by our leaders on every level.

To accelerate the economic development of mountainous regions we must fully bring into play every sort of superiority, effectively utilize the abundant natural resources, scientifically adjust the agricultural structure, make great efforts to accelerate industrial construction, and, based on the conditions of different areas, boldly explore the paths to developing the mountainous regions. Now we will consider the following channels for development, raising them for study.

/One is extroverted and superior development./ The strategy to develop mountainous regions must be a model that is outward looking and open in style. It must insist on opening up more to the outside and stimulating the domestic side more. It must face the province as a whole, the entire

country and the world, developing a commodity economy and stimulating the economy of the mountainous regions. The process of opening up and stimulating must be grounded on the basis of fully utilizing and taking advantage of the strengths of the mountainous regions and rationally opening up and developing the various natural resources, then it will have vitality. Without development, by closing up, there is no way to bring the advantages fully into play. In carrying out development, if the advantages are not brought into play, to such a degree that the good is discarded and the bad is utilized, then inevitably we will get half the results with twice the effort. Therefore, we absolutely must elevate the good points and avoid the bad, choose the superior and discard the inferior, put into practice management that is superior and open, development that is extroverted and superior.

/Two is development that is a synthesis of many directions./ The territory of the mountainous regions is vast, natural resources are abundant, economic structures are few and varied, and the conditions of every area are not the same. This has determined that economic development must implement management in many directions, synthesizing development. What is suitable for forestry should be for forestry, what is suitable for grazing should be for grazing, what is suitable for fishing should be for fishing, what is suitable for industry should be for industry, each according to its advantage. Grazing depends on agriculture, wealth depends on industry, and livelihood depends on commerce. Follow the road of synthesizing agriculture, industry, and commerce, grazing, industry, and commerce, synthesizing forestry, industry, and commerce, and even trade, industry, and agriculture. Follow the road of integrated foreign and domestic trade, integrated technology and trade, integrated industry and trade, and integrated agriculture and trade and carry out synthesized and multidirectional development that is planned, measured, divided into administrative levels and divided into sections to strive for comprehensive economic development of the mountainous regions and common prosperity for the people.

/Three is a single direction toward serial development./ Of the abundant natural resources of the mountainous regions some are peculiar to the region and found in preponderance. If these natural resources occurring in natural abundance are developed and utilized blindly, it will in fact be "putting fine timber to petty use" and "melting gold to make iron" and it will not be possible to fully bring into play their economic benefits. Examples are many special local products of mountain forests, certain special woods, precious spices, rare minerals, etc., most of which are now sold as raw materials or rough products. For very low prices. If it were possible to carry out serial development, precision processing, and the production of all kinds of finished products, the prices could often be several times higher, even 10 times higher. Therefore, every area must carry out a thorough examination and study of its present natural resources and superiorities. Every area must rely on scientific technology and select the strong points to carry out serial development using one type of natural resource, or one product, or one trade as the faucet, in order to spur the economy of the entire mountainous region toward thoroughgoing development.

/Four is in-depth development that will counter trends to gain advantage./ With regard to the economic development of mountainous regions, the most important things are product development and market development. Products must have markets and markets must have competition. Because of a weak foundation and subpar conditions, the industry of mountainous regions is usually in an inferior position in fierce market competition. To be in an invincible position in competition, product and market development must have ample flexibility and adaptability, and the scope and goals of development cannot be fixed and unchanging. They must prevail against the wind, develop in a counter direction, defeat by surprise moves, and adopt the flexible policy of "if others don't have it, we do; if others have it, ours is new; if what others have is new, ours is even more novel." It must continuously open up uncommon, superior, new, and favorable products, and expand in depth. Thus guaranteeing the establishment of a solid foundation, long-term and unwaning prosperity, and a steady rise.

/Five is laterally combined development./ The economic foundation of the mountainous regions is weak. There are definite problems with manpower and material and financial resources. Therefore, through self-reliance lateral integration must be developed, cooperation between mountain and sea must be implemented, and development combined. Coastal and mountainous regions must extensively develop an exchange of economic technology and cooperate, promote mutual links among counties, prefectures, and even provinces, establishing firm connections. According to the needs of economic development and its ability to survive, introduce some quickly effective and highly beneficial advanced technology and equipment in a planned manner and introduce badly needed funds and talented people. For some remote regions several particular and flexible policies and measures must be adopted to enable them to become windows of economic contact with neighboring provinces.

The ardent hope of the people of the mountainous regions is to recognize, develop, and quickly transform the features of mountainous regions, urgent needs of the entire province's construction of the four modernizations.

12895/9190
CSO: 4006/293

ECONOMIC PLANNING

HUNAN LEADER DISCUSSES ECONOMIC TASKS FOR 1986

HK220357 Changsha Hunan Provincial Service in Mandarin 2300 GMT 21 Feb 86

[Excerpts] Vice Governor Yu Haichao said at a provincial economic work conference convened on 21 February: This is the first year of the Seventh 5-Year Plan. The Provincial CPC Committee and Government demand that, under the premise of improving economic results, the industrial and communications front achieve a total industrial output value of 30 billion yuan. It should achieve synchronous growth in tax, profit, and income while fulfilling this target.

No department or unit is permitted, under the pretext of observing its own rules and regulations, to take no action on delegating to the enterprises those decisionmaking powers and favored treatment policies clearly stipulated by the CPC Central Committee and the State Council. The reform policies and measures drawn up by the Provincial CPC Committee and Government in accordance with the intentions of the CPC Central Committee and the State Council must also be unswervingly implemented.

It is essential to strengthen enterprise management, focusing on improving quality and lowering input consumption.

Yu Haichao also said: The departments in charge and the enterprises must regard technological transformation and progress as a current extremely urgent task. It is also necessary to promote lateral economic ties and the building of the two civilizations.

Chen Bangzhu, member of the standing committee of the Provincial CPC Committee and vice governor, presided at the meeting. (Xu Youfa), chairman of the Provincial Economic Commission, conveyed the spirit of the national economic work conference.

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CSO: 4006/795

ECONOMIC PLANNING

PLAN TO MAKE LIAONING PENINSULA EXPORT BASE

OW031841 Beijing XINHUA in English 1833 GMT 3 Feb 86

[Text] Shenyang, February 3 (XINHUA)--Authorities in Liaoning Province plan to turn the Liaodong Peninsula into a major base for manufacturing exports, provincial Governor Quan Shuren said here today.

The province plans to channel more than one billion U.S. dollars of foreign investment into the peninsula in the next 5 years, and import two billion dollars worth of advanced technology to modernize 275 industrial plants.

The scheme calls for the development of energy resources and raw materials, as well as machine-building, electronics, textiles, and light industries.

The peninsula is rich in mineral resources, and is equipped with a good transport network, said the governor.

Priority will be given to the development of technology-intensive enterprises in the Dalian economic development zone over next 2 years. The zone will serve as a showpiece of advanced technology, information, and management for other provinces and regions.

Over the next 5 years, the province will build an international airport in the provincial capital of Shenyang, several harbors in Dalian, Dandong, Yingkou, and Jinzhou, and a new highway between Shenyang and Dalian.

It will import and install a 200,000-line program-controlled telephone system, and speed up construction of communications and other infrastructure.

By 1990, Dalian port will be exporting goods worth 7.2 billion dollars, compared with 4.9 billion dollars last year, and the value of exports made in the province will be increased from 1.7 billion dollars last year to 3.6 billion dollars. This will be equivalent to 10 percent of total output value.

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CSO: 4020/214

AGGREGATE ECONOMIC DATA

WUHAN MATCHES NATIONAL ECONOMIC DEVELOPMENT

Wuhan CHANGJIANG RIBAO in Chinese 2 Oct 85 p 1

[Article: "Gratifying Achievements, Good Momentum; Our City and National Economic Development Tended Toward Coordination During the Sixth 5-Year Plan"; passages enclosed in slantlines printed in boldface]

[Text] Since the 3d Plenum of the 11th CPC Central Committee our city's production has continuously increased. The primary proportional relationship has tended toward coordination.

/Society's total output value and national revenues increased synchronously./ Since the 3d Plenum of the 11th CPC Central Committee, in the 6 years from 1979 through 1984, society's total output value increased at an average rate of 11 percent a year and national revenues increased at an average rate of 12.1 percent a year.

/The proportions of agriculture, heavy industry and light industry are tending toward coordination./ The implementation of every one of the party's policies regarding villages has greatly aroused the peasant enthusiasm for production, and agricultural production has made breakthrough advances. At the same time great efforts have been made to develop the production of consumer goods, adjust the direction of heavy industrial production and reduce the production of goods in ample supply. According to statistics, during the 6 years from 1979 through 1984 agriculture increased at an average yearly rate of 10.4 percent, light industry increased at an average yearly rate of 12.4 percent and heavy industry increased at an average yearly rate of 10.7 percent. It has changed the relatively backward situation of agriculture and light industry.

/There has been an improvement in the proportional relationship of accumulation and consumption./ Under circumstances in which both accumulation funds and consumption funds increased, accumulation has been suitably reduced, causing the real accumulation rate to fall from 40.2 percent in 1978 to 32.2 percent in 1984. It has changed the long-term trend of heavy accumulation and light consumption.

12895/9190
CSO: 4006/293

AGGREGATE ECONOMIC DATA

NATIONAL ECONOMIC STATISTICAL DATA

Beijing TONGJI [STATISTICS] in Chinese No 6, 17 Jun 85 pp 44-48

[Text]

I. Production in Industry and Transport
(January-April 1985)

	Unit	Quantity		As percentage of same period last year (%)	
		Jan.-Apr.	Apr.	Jan.-Apr.	Apr.
1. GVIO	1 billion yuan	261.64	712.0	123.3	124.8
Light industry	100 million yuan	1,328.0	358.2	125.8	127.2
Heavy industry	100 million yuan	1,288.4	353.8	120.8	122.5

2. Output of major industrial products

Bicycles	10,000	1,005.97	271.65	110.3	115.3
Sewing machines	10,000	304.13	81.09	96.4	100.7
Watches	10,000	1,305.5	347.6	114.8	122.8
Television sets	10,000	509.51	132.54	187.4	190.0
Radios	10,000	535.64	134.72	60.4	61.0
Washing machines	10,000	257.40	69.72	177.1	165.4
Cameras	10,000	50.30	13.72	144.5	148.3
Electric fans	10,000	921.98	285.40	208.0	194.5
Refrigerators	10,000	33.33	10.03	333.9	315.3
Chemical fiber	10,000 tons	30.84	8.01	140.6	154.0
Of this:					
Synthetic fiber	10,000 tons	22.22	5.53	134.3	147.5
Yarn	10,000 tons	108.43	29.59	104.9	106.7
Cloth	100 million m	43.77	12.42	98.6	102.6
Silk	10,000 tons	1.27	0.36	111.3	113.3
Silk fabrics	100 million m	4.19	1.16	123.6	127.8

[Continued on next page]

	Unit	Quantity		As percentage of same period last year (%)	
		Jan.-Apr.	Apr.	Jan.-Apr.	Apr.
Wool fabrics	10,000 m	6,703	1,811	132.5	129.3
Woolen yarn	10,000 tons	3.83	1.04	109.6	112.4
Sugar	10,000 tons	299.13	18.70	121.0	104.9
Unrefined salt	10,000 tons	238.1	142.6	81.2	79.6
Cigarettes	10,000 cases	787.7	177.1	124.4	115.2
Beer	10,000 tons	71.47	26.79	147.3	150.6
Machine-made paper and cardboard	10,000 tons	255.90	71.30	118.6	118.0
Synthetic detergents	10,000 tons	34.22	10.07	133.5	137.2
Lightbulbs	100 million	4.99	1.33	112.7	112.9
Raw coal	10,000 tons	26,318	7,161	110.7	111.6
Crude oil	10,000 tons	4,053.4	1,022.3	111.0	112.5
Natural gas	100 million cu m	43.46	10.90	108.4	113.5
Electric power	100 million kWh	1,304.3	334.3	109.1	109.9
Of this:					
Hydroelectricity	100 million kWh	246.1	77.6	107.8	114.1
Pig iron	10,000 tons	1,388.1	353.2	106.9	109.6
Steel	10,000 tons	1,520.4	394.4	107.2	109.9
Steel products	10,000 tons	1,218.9	308.4	111.5	110.0
Coke (machine-processed)	10,000 tons	1,240.91	318.17	105.5	107.3
Sulphuric acid	10,000 tons	219.67	63.58	76.0	84.9
Soda ash	10,000 tons	66.91	16.24	107.4	109.3
Caustic soda	10,000 tons	75.48	19.68	105.0	106.1
Ethylene	10,000 tons	21.60	4.38	100.2	91.8
Synthetic ammonia	10,000 tons	637.82	162.78	109.1	105.2
Chemical fertilizer	10,000 tons	503.33	135.11	103.3	104.6
Chemical medicine	10,000 tons	1.86	0.55	99.5	106.3
Chemical pesticide	10,000 tons	9.16	2.67	80.1	85.9
Tire casings	10,000	591.86	161.16	113.5	115.0
Plastics	10,000 tons	39.05	8.43	100.9	87.6
Timber*	10,000 cu m	1,089	174	96.2	93.0
Particle board	10,000 cu m	45.88	14.27	109.8	107.0
Cement	10,000 tons	4,149.1	1,184.5	116.6	116.4
Plate glass	10,000 standard boxes	1,790.48	449.74	121.3	123.3

[Continued on next page]

	Unit	Quantity		As percentage of same period last year (%)	
		Jan.-Apr.	Apr.	Jan.-Apr.	Apr.
Mining equipment	10,000 tons	9.69	2.73	138.8	148.4
Power generating equipment	10,000 kW	110.71	37.30	154.3	219.9
Metal cutting machine tools	10,000	4.94	1.31	124.4	132.3
Motor vehicles	10,000	14.44	4.12	162.6	167.5
Tractors	10,000	1.96	0.48	121.7	109.1
Small tractors	10,000	27.94	7.92	138.0	138.5
Locomotives		253	70	117.1	116.7
Diesel engines	10,000 hp	1,841.7	514.2	163.9	164.2

3. Communications and

Transportation

Volume of railway

freight	100 million tons	4.10	1.06	103.9	105.6
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Volume of waterway

freight transported

by Ministry of

Communications	100 million tons	0.56	0.15	107.1	108.3
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* The output of timber only includes the figures from the afforested regions in Northeast China and Nei Mongol.

II.

Completed Capital Construction
(January-April 1985)
(State-owned enterprises)

	Unit	Quantity	Jan.-Apr. 1985 as percentage of same period last year (%)
1. Total capital construction investment	100 million yuan	141.95	136.0
Of this:			
State-invested	100 million yuan	61.43	100.8
Self-collected and other sources	100 million yuan	39.23	182.6
Of total amount:			
Industrial	100 million yuan	90.87	126.4
Non-industrial	100 million yuan	51.08	157.2
Of this:			
Residential housing	100 million yuan	21.48	138.9
2. Floor space			
Total constructed floor space	10,000 square m	13,558.4	128.1
Of this:			
Residential housing	10,000 square m	6,694.5	126.9
Total completed floor space	10,000 square m	616.5	127.0
Of this:			
Residential housing	10,000 square m	352.4	131.8
3. Large-scale and individual engineering projects completed and operational			
Large and medium-sized projects		3	42.9
Individual projects		8	88.9

III. Supply of Commodities in Urban and Rural Retail Markets
(January-April 1985)

	Unit	Absolute value		Growth rate compared with same period last year (%)	
		Jan.-Apr.	Apr.	Jan.-Apr.	Apr.
Social retail sales*	100 million yuan	1,302.3	314.4	131.3	127.3
Of this:					
Retail sales of consumer goods	100 million yuan	1,142.7	261.3	135.3	131.8
Retail sales of major goods **					
Hogs	10,000 head	2,793.9	541.3	71.7	61.5
Fresh eggs	10,000 dan	367.7	108.8	87.1	71.7
Aquatic products	10,000 tons	45.4	9.0	80.9	79.6
Salt	10,000 tons	320.0	73.6	106.6	102.6
Edible sugar	10,000 tons	192.6	38.1	124.4	123.7
Cigarettes	10,000 cases	787.5	175.9	112.0	110.4
Liquor	10,000 tons	146.5	32.1	104.8	100.9
Cotton cloth	100 million m	22.1	5.3	145.4	151.4
Blend fabrics of cotton and chemical fiber	100 million m	9.2	2.3	103.4	104.5
Chemical fiber cloth	100 million m	3.5	0.7	112.9	100.0
Matches	10,000 pieces	725.1	163.7	92.2	87.4
Soap	10,000 cases	1,451.9	338.8	117.0	108.9
Detergents	10,000 tons	23.0	5.8	125.7	123.4
Sewing machines	10,000	301.6	61.4	110.3	96.1
Wristwatches	10,000	1,610.8	344.0	168.4	168.5
Bicycles	10,000	806.2	199.5	115.1	115.7
Electric fans	10,000	350.7	151.3	392.3	316.5
Refrigerators	10,000	27.8	9.3	970.0	930.0
Washing machines	10,000	191.3	44.2	236.8	202.8
Transistor radios	10,000 sets	634.5	105.0	109.9	99.1
Television sets	10,000 sets	389.9	69.8	160.6	163.8
Recorders	10,000 sets	272.2	52.0	299.8	245.3

* Social retail sales does not include sales by peasants to non-agricultural residents.

** Retail sales of major goods includes only sales of state-owned stores and supply and marketing cooperatives.

IV. Procurement and Import and Export of State-Owned Stores
and Supply and Marketing Cooperatives
(January-April 1985)

	Unit	Absolute value		Growth rate compared with same period last year (%)	
		Jan.-Apr.	Apr.	Jan.-Apr.	Apr.
Total net domestic procurement	100 million yuan	973.8	240.0	118.9	115.4
Amounts of major commodities procured					
Hogs	10,000 head	2,813.0	638.0	68.6	60.0
Fresh eggs	10,000 dan	543.9	221.7	77.1	67.6
Aquatic products	10,000 tons	38.4	12.1	91.2	97.6
Salt	10,000 tons	298.7	81.8	98.0	102.9
Sugar	10,000 tons	287.1	28.8	130.2	137.8
Cigarettes	10,000 cases	743.8	172.8	127.4	126.1
Liquor	10,000 tons	131.3	33.6	98.5	93.9
Cotton cloth	100 million m	19.0	5.3	118.0	123.3
Blend fabrics of cotton and chemical fiber	100 million m	10.3	3.3	90.4	89.2
Chemical fibre cloth	100 million m	3.5	1.0	106.1	111.1
Matches	10,000 pieces	675.6	188.6	79.6	78.9
Soap	10,000 cases	1,250.6	320.6	97.4	93.8
Detergents	10,000 tons	23.9	6.9	125.1	130.2
Sewing machines	10,000	252.2	59.5	95.2	82.8
Wristwatches	10,000	1,323.4	310.9	128.2	131.2
Bicycles	10,000	791.2	215.9	108.3	113.0
Electric fans	10,000	584.7	198.9	351.4	342.9
Washing machines	10,000	145.4	36.6	209.5	183.0
Refrigerators	10,000	16.8	4.3	1020.0	980.0
Transistor radios	10,000 sets	428.1	91.0	74.4	62.3
Television sets	10,000 sets	272.7	71.4	140.8	152.2
Recorders	10,000 sets	216.6	54.5	286.5	282.4
Total value of imports and exports*	100 million yuan	306.1	143.0	151.8	173.4
	\$100 million	151.9	50.7	127.6	126.7
Exports	100 million yuan	155.5	55.8	116.7	135.8
	\$100 million	77.3	19.8	99.2	99.1
Imports	100 million yuan	150.6	87.2	188.0	210.8
	\$100 million	74.6	30.9	157.0	154.2

* Total value of imports and exports is based upon Customs statistics. Total RMB value is converted from U.S. dollar figures.

7.

Major Economic Indicators for 48
Cities During First Quarter of 1985

Indicator	Unit	Jan.-Mar. 1985	Change from same period last year (%)
Gross industrial output value	100 million yuan	647.0	+14.6
Net industrial output value	100 million yuan	216.8	+19.1
Income from product sales	100 million yuan	615.1	+19.4
Total profits and taxes	100 million yuan	158.1	+23.0
Profits and taxes turned over to the state	100 million yuan	107.7	+8.8
Enterprises incurring losses		1,020	-0.6
Amount of deficit	100 million yuan	2.0	+12.3
Extent of deficits	%	8.4	-0.1
Net value of fixed assets	100 million yuan	1,174.5	+6.9
Of which: quota circulating funds	100 million yuan	682.1	+13.0
Of this: production funds for finished products	100 million yuan	120.8	+21.0
Sales income per 100 yuan output value	yuan	92.9	+0.2
Profits and taxes per 100 yuan output value	yuan	23.9	+0.7
Profits and taxes per 100 yuan assets (of which fixed assets are counted as net output value)	yuan	8.5	+1.0
Output value per 100 yuan cost	yuan	141.8	-1.1
Materials consumed per 100 yuan output value	yuan	67.3	No change
Averaged circulating time of quota circulating funds	day	101.1	-5.9
Number of staff and workers	10,000	1,363.8	+1.9
Total productivity:			
Calculated according to gross output value	yuan	4,744	+12.4
Calculated according to net output value	yuan	1,589	+16.8

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CSO: 4006/961

AGGREGATE ECONOMIC DATA

BRIEFS

ENTERPRISE TECHNICAL UPGRADING--Beijing, 21 Feb (XINHUA)--In 1985, China's publicly-owned enterprises completed 40,000 technical upgrading projects. The investment in these projects totaled 43.1 billion yuan, or nearly 40 percent more than the investment for technical upgrading in the preceding year. Of these projects, 99 involved an investment of more than 10 million yuan. Most of the over-10-million-yuan projects belonged to enterprises in machinery, electronics, metallurgical, textile, and food industries. [Summary] [Beijing XINHUA Domestic Service in Chinese 0158 GMT 21 Feb 86 OW] /12712

CSO: 4006/779

ECONOMIC MANAGEMENT

GUANGMING RIBAO ON MACROECONOMIC READJUSTMENT

HK011550 Beijing GUANGMING RIBAO in Chinese 15 Feb 86 p 3

[Article by Zhang Xueren [1728 1331 0088]: "A Brief Talk on the Pattern of Macroeconomic Readjustment"]

[Excerpts] Patterns of economic readjustment are the core of the macroeconomic readjustment system. Readjustment patterns here mean the basic modes for people to readjust social economic life. Proceeding from the general premise of the planned commodity economy, we consider that we may choose two basic readjustment patterns: planned readjustment and market readjustment.

Under the situation of a planned commodity economy, the normal operation of social economic life is first realized by means of planned readjustment of economic life. This so-called planned readjustment actually means the system with which the society readjusts the whole process of the social economic life, including production, distribution, exchange, and consumption. The essence of this system is to determine the targets of economic development and ways and means for attaining these targets, in particular, to determine the distribution to various fields of production of social labor, including inanimate labor and animate labor, or the means of production and labor power, in accordance with the scale and structure of social needs. The planned readjustment itself is an important means for achieving the fastest growth of social wealth in order to meet social needs to the greatest extent, and is the guiding readjustment pattern for ensuring the normal operation of social economic life.

In the macroeconomic readjustment of the operation of social economic life by means of the planned readjustment pattern, we must choose various effective forms, the major basic forms in particular, so that we can give play to the important role of planned readjustment by means of these forms. In the planned commodity economy, the major forms of the planned readjustment should be mandatory readjustment, guidance readjustment, and the readjustment of a policy nature. This is because these concrete forms of readjustment can appropriately integrate the planned economy with the commodity economy, planning mechanisms with the market mechanism, the state policies with the enterprise policies, and the interests of the whole with those of the parts. They can also quite satisfactorily meet the requirement of integrating uniformity with flexibility in the socialist planned system. Therefore, in order to build a new planned

system with Chinese characteristics and with much vigor and vitality, we must carry out mandatory readjustment within a certain scope and at the same time extensively carry out guidance readjustment and readjustment of a policy nature. We must also take the last two concrete forms of readjustment as a basis and reform and perfect the planned readjustment system so as to readjust the operation of the socialist economy by means of fixing targets and formulating policies.

To give play to the role of market readjustment is the objective demand of the development of the commodity economy and is also a part of the reform of the economic structure. However, as far as the present is concerned, the objective basis for market readjustment is not quite ready yet. The reason is that the systematic functions of the existing economic structure of our country are not yet sound. To be specific, the planned functions have expanded and the market functions have contracted. Under such circumstances, it is extremely difficult to give play to the role of market readjustment. Therefore, in order to really give play to the role of market readjustment, we must first expand the market functions. In particular, we must concentrate our efforts on solving the following three problems: First, regarding market structure, we must perfect the unified socialist market. We must bring the entire social economic life covering the vast scope of the entire national economy in various aspects and at various levels into the orbit of the market in order to establish an extensive, multi-level market system with various aspects. As far as the present is concerned, a relatively important thing is to establish essential markets, a funds market and a labor power market in particular. Second, regarding the setup of the market, we must in general have a buyers' market and maintain a faster growth of the total volume of commodities supplied than the growth of the total volume of demand based on actual payment capacity so that enterprises may experience a relatively great pressure of competition and that social production may dynamically and flexibly be in line with social needs. Third, regarding market coordination, we must base our plans on the market. In working out plans, we must have a correct understanding of the market and consciously regard the market as the basis for our plans. Our plans must also effect changes on much data related to the market, thus gradually reinforcing the functions of the market.

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ECONOMIC MANAGEMENT

RESULTS OF PRODUCT QUALITY TESTS PUBLISHED

OW260645 Beijing XINHUA Domestic Service in Chinese 1445 GMT 25 Feb 86

[Article by reporter Li Anding]

[Excerpts] Beijing, 25 Feb (XINHUA)--Among the 24 different types of products chosen for quality checks by the State Product Quality Supervisory Department in the fourth quarter of last year, boric acid, the Y-series electric motor ball bearings, heavy-duty rails, formaldehyde, and knitting wool were found to be of stable quality with 100 of the samples examined meeting quality standards. However, for fire alarms, 200-gram scales, sound-level meters, and some other products, only about 30 percent of the samples passed the quality tests.

Today, the State Economic Commission published Bulletin No 3 on the results of state-supervised selective examination of product quality. The bulletin states that the enterprises whose products did not pass the quality tests must take corrective action before a prescribed deadline, while the economic commissions and bureaus of standardization in various localities should supervise and prompt these enterprises to do so and oversee how they are proceeding and should seriously deal with the matter according to the situation of individual cases.

The selective quality tests revealed exceptionally poor quality of products made by some enterprises. For example, the air break switch produced by the Oujiang Electric Appliances Plant in Zhejiang was of such poor quality standards, and four of them were in Fujian Province. The product of Shuangzu Overseas Chinese Cannery in Quanzhou was found to contain only 38.5-percent solids. The fire alarms made by the Yinkou City Alarm Equipment Plant did not work when tested by burning wood and cotton ropes but gave a false alarm when placed in a strong air current.

A responsible person of the Quality Supervision Department of the State Bureau of Standardization said that the results of the selective product quality examinations covering 289 enterprises revealed that the products made in our country have the common problem of quality fluctuation, sometimes good and sometimes poor. He added, this problem deserves the attention of enterprises in various localities, and effective measures should be taken to solve it.

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ECONOMIC MANAGEMENT

CONSERVATIVE DEVELOPMENT TARGETS PRODUCE BETTER RESULTS

OW031257 Beijing XINHUA Domestic Service in Chinese 0752 GMT 2 Mar 86

[Article by reporter Yu Youhai]

[Excerpts] Beijing, 2 Mar (XINHUA)--The newly released communique on China's fulfillment of the 1985 economic and social development plan demonstrates once again that when setting development targets, leaving some leeway will bring us better economic results. During the last several decades we sometimes set over ambitious targets for our economic development only to find they could not be fulfilled. During the Sixth 5-Year Plan, the annual development targets were set comparatively low, but the actual growth rates have turned out to be much higher. This striking difference reflects the notable improvement of economic leadership in China.

We are all familiar with the cases of the last 5 years. During this period, with the exception of the final year, we set the annual growth rate of our total industrial and agricultural output value at 4 percent while promising to strive to achieve a 5-percent increase. The State Statistics Bureau's figures have shown that our industrial and agricultural output value rose 68 percent in the 5 years since 1981. This represents an annual growth rate of 11 percent, far surpassing the 4 percent target and more than doubling the 5 percent rate we promised to strive to achieve.

In the history of New China's economic development, there were too many cases of setting unfulfilled over ambitious targets.

After the 3d Plenary Session of the 11th CPC Central Committee, drawing lessons from the past, the party and the government abandoned the "left" practice of setting over ambitious targets that had brought disastrous consequences, and they were determined to blaze a new path of realistic growth rates that would produce better economic results and bring more tangible benefits to the people. Accordingly, proceeding from reality, the party Central Committee and the State Council left some leeway in setting the targets of economic development and, at the same time, devoted more efforts to resolving major issues in economic development. These efforts included mainly readjustment to bring into balance the disproportionate ratios between agriculture, light industry, and heavy industry, and reform measures to bring out the local initiatives and the initiatives of the enterprises and the producers. As a result of these realistic and correct policies, China's agricultural output value rose at an

annual rate of 11.5 percent during the Sixth 5-Year Plan, more than doubling the 3.5 percent annual increase registered in the preceding 28 years. In industrial production, the growth of heavy industry was deliberately reduced at the beginning of the Sixth 5-Year Plan to readjust the ratios between light and heavy industry. As the major economic ratios gradually became more rational and as reform measures such as delegating more decisionmaking power to enterprises deepened, the pace of industrial development quickened, resulting in the annual growth rate of 10.8 percent for the entire 5-year period.

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ECONOMIC MANAGEMENT

PAPER REPORTS ON ECONOMIC STUDY CLASSES FOR CADRES

Jinan DAZHONG RIBAO in Chinese 23 Oct 85 p 2

[Article by Lu Dianluo [4151 3013 3157]: "Leading Cadres Must Understand Finance and Economics; Provincial Party Committee Organizes City, District and County Cadres To Study Financial and Economic Theory and Policy, Gets Evident Results"]

[Text] Since March of this year the provincial party committee has successively conducted three terms of study classes on financial and economic theory and policy for leading party and government cadres from cities, districts, and counties. Each term is a month long. More than 370 leading cadres have participated in basic theory and policy studies of finance, tax, banking, insurance, pricing, industrial and commercial management, auditing, foreign trade, and so on. Undertaking study improves their leadership abilities with regard to financial, revenue, banking and other work.

---They gained a much better understanding of knowledge and policies than they had had in the past. In a month's study during which they were released from other duties, leading party and government cadres from every city, district and county obtained a clearer understanding of matters which had been vaguely understood by them and also a corrected view of the relationship between local and national finances, revenues and expenditures, and sources and development. In the past, revenues were always insufficient in the Heze area; they rarely sought the reasons from a subjective point of view. In May of this year, 12 district- and county-level cadres from this region attended financial study classes. They energetically adopted measures in the areas of developing production, opening up sources of revenue, increasing taxes, improving capital benefits, etc. They are already in the early phase of reversing the passive situation of a reduction in revenues.

--They conscientiously stress increasing revenues and limiting expenditures. In the past some leading cadres had a superficial understanding of the finance and tax departments' comprehensive economic functions and did not give sufficient weight to the importance of an overall balance of economic functions. This created a passivity regarding revenues and expenditures. Now many comrades not only stress opening up revenue sources, they no

longer recklessly open loopholes that reduce tax revenues and increase expenditures. After studying, those comrades responsible for the region around the mouth of the river at Dongying changed the "one hand wants money, one hand avoids taxes" method to "one hand stresses increasing revenues, one hand stresses limiting expenditures." The first half of this year was above quota by 9 percent and fulfilled the tax revenue plan for the whole year.

--They support the finance and tax cadres in carrying out their responsibilities. In the past, leading cadres in some districts and counties encountered situations in which requested money was not granted and taxes to be reduced were not reduced, and so they felt that the finance and tax departments did not support their own work. After studying, many responsible cadres not only conscientiously conduct business according to policy, they also actively support the finance and tax cadres in carrying out their responsibilities. The finance and tax work in the province has new improvements. Provincial tax revenues for January to August of this year reached 4.77 billion yuan. According to comparable requirements for the same period last year, it represents a 20.1-percent increase.

12895/9190

CSO: 4006/293

ECONOMIC MANAGEMENT

TARGETS FOR MANAGER RESPONSIBILITY SYSTEM

Beijing JINGJI GUANLI in Chinese No 11, 5 Nov 85 pp 38-39, 44

[Article by Chen Jiangui [7115 0163 6311]: "Targets During the Term of Office Under the Factory Director Responsibility System"]

[Text] At present, the enterprises in our country are implementing the factory director (manager) responsibility system. The implementation of the factory director (manager) responsibility system can enable the factory director (manager) to centralize direction over the activities of production and operation of the enterprise, and thus play a very important role in solving the problems of functions of the party organizations being confused with those of the management, power being separated from responsibility, and no one actually shouldering the responsibility. In practice, however, some problems have cropped up.

First, some factory directors (managers) erroneously think that the factory director (manager) responsibility system is the "system of one director assuming overall responsibility" hence neglect democratic management of employees. The production in a socialist enterprise is a type of socialized mass production; therefore, highly centralized leadership and unified command must be exercised in accordance with the objective requirements of mass production and the factory director (manager) responsibility system must be implemented. At the same time, the nature of public ownership of our socialist enterprises requires that the employees' position as masters of the enterprises must be fully embodied in the implementation of the democratic management. Thus, the "Decision of the CPC Central Committee on Reform of the Economic Structure" clearly points out: "In a modern enterprise, there must be centralized and unified leadership and command over production and strict labor discipline must be imposed. Because our enterprises are socialist ones, in exercising this centralized leadership and strictly imposing discipline, we must firmly ensure the power of the vast number of employees and the representatives elected by them in participating in the democratic management of their enterprises." But some factory directors (managers) have failed to deeply understand the spirit of these words, and regard the factory director responsibility system as being identical to the "system of one director assuming overall responsibility," stress centralized and unified command alone, and fail to respect the employees' position as masters. They have not delivered to the assemblies or congresses for discussion and examination the issues concerning the major management policy decisions of the enterprises,

the major rules and regulations and the distribution of the fruit of labor. Some of them have even abused their power as directors (managers), raised their salaries and paid bonuses and subsidies to themselves at will, and attacked and retaliated against the employees who had criticized them. These practices have seriously injured the initiative.

Second, some factory directors (managers) have paid attention only to the interests of their own enterprises and employees and have serious departmentalism. Under socialist conditions, the interests of the state, the enterprise and the employees both conflict and are identical. A director (manager) of an enterprise owned by the state should correctly handle the relations between the interests of these three parties and take into consideration of all their interests. At present, however, some factory directors (managers) have serious departmentalism and scrambled with the state for the interests of their enterprises and employees. As a result, problems have cropped up refusing to fulfill the state's mandatory production and purchase plans, raising product prices at will, indiscriminately overstating costs, indiscriminately increasing wages and paying bonuses and subsidies, and even of evading tax and seriously violating law and discipline. This has harmed the interests of the state and consumers.

Third, only immediate interests are considered and no thought is given to long-term development of enterprises. In particular, after the implementation of the system of fixed terms of office for factory directors, the length of one term of office is only four years. Some factory directors (managers) only consider the question of how they are to increase the income of and impress their employees during their term of office. Consequently, some enterprises first spend their retained after-tax profits in promoting employees and paying bonuses to them. They do not allocate funds for the technological transformation and the development of new products for their enterprises or merely apply for bank loans to fund technological transformation and development of new products disregarding the enterprise's ability to repay the loans, and thinking that this will have nothing to do with them because repayments are to be made after they leave office. In dealing with other aspects of their work, they also pay attention only to the immediate issues and fail to put long-term work on the agenda such as development plans and strategies for their enterprises, the development of new products, and the training of personnel.

Fourth, there are no standards to evaluate the performance of factory directors (managers). Before being assigned to the posts of factory directors (managers), some candidates give many promises and even give speeches in the style of "One Thousand and One Nights" to win over votes from employees. However, they have not deeply considered these promises nor even intended to carry them out. At the same time, there are no people to evaluate their performance and see whether they have lived up to their words. This makes it impossible to link the performance of factory directors (managers) with their economic income.

Our factory director (manager) responsibility system is still at the stage of experiment and popularization. There still has to be a period of continuous improvement and perfection. It is understandable that some problems have

cropped up, but we can by no means overlook these problems, otherwise they will affect the further popularization of this system. Therefore, I hold that while implementing the factory director (manager) responsibility system, we must establish the system of factory directors (managers) assuming responsibility for set targets during their terms of office to prevent and solve the above-mentioned problems.

I. We should establish the system of factory directors (managers) assuming responsibility for targets set by the states during their terms of office.

After the ownership and management power of an enterprise owned by the state is appropriately separated, there will be the following two aspects of requirements: On the one hand, our enterprises will be required to become commodity producers and operators that are managed independently, develop themselves, and shoulder sole responsibility for their profits and losses and to become legal persons that have certain power and duties. On the other, they are required to undertake necessary responsibility for the owners of the enterprises; only by so doing can the state's ownership over the enterprises be realized.

Who is then to shoulder the responsibility for the state in running the enterprises? We know that in an enterprise owned by the state, the employees are members of the owners and continue to expand the assets of the enterprise by their labor. In fact, then, the staff and workers of an enterprise owned by the state, have relative ownership over the assets of their enterprise. At the same time, they actually possess, use and dispose the means of production in their enterprise. Thus, in theory, the enterprise's responsibility to the state should be undertaken by the employees as a whole. In economic life, however, this kind of responsibility is required to be undertaken by one specific individual. From the point of view of law, an enterprise is a legal person and its director (manager) is the representative of the legal person; hence the enterprise's responsibility to the state should be naturally undertaken by its director (manager). Because of this, we must establish the system of factory director assuming responsibility for targets set by the state during his term of office.

The targets that a factory director is responsible for to the state should include the following:

1. We should clearly determine the targets concerning the development of the enterprise's production during the term of office including the targets concerning product variety, output, quality, and consumption of raw material.
2. We should clearly fix the targets concerning the enterprise's contribution to the state in the term of office including those concerning realized profit and tax payments.
3. We should clearly set the targets concerning the technological transformation of the enterprise in the term of office including the targets for the amount of funds for renewal of fixed assets and the projects, speed, and economic results of the renewal.

4. We should clearly determine the targets concerning the development of new products during the term of office including the targets related to the amount of funds, projects, and progress in developing new products.

5. We should clearly fix the targets concerning the number of employees and labor productivity during the term of office.

II. We should establish the system of factory director assuming responsibility to the employees for targets during his term of office.

In an enterprise owned by the state, there is an appropriate separation between management power and administrative power as well as between ownership and management power. In other words, to give full play to the initiative of the enterprise, after the state gives the means of production owned by the state to the enterprise for its operation, the production and operational activities of the enterprise are not entirely or directly administered by the employees. A modern enterprise has intensive division of labor, close coordination and great continuity in its production and widespread social relations. These determine that the production and management activities must be put under the centralized and unified command of a factory director (manager). Therefore, in an enterprise owned by the whole people, except for major policy decisions, such as the enterprise's long-term plans, orientation of product development, major projects of technological transformation, distribution and use of retained funds, and revision of important rules and regulations, which should be examined and discussed by its employees' assembly or congress, its ordinary management decisions and daily management and administration should be made and conducted by its director (manager). Since the employees of the enterprise have assigned the power over these matters to the factory director (manager), the director should shoulder necessary responsibility to the employees. Hence, we must establish the system of factory director assuming responsibility to the staff and workers for targets during this term of office and clearly define the responsibility that he is to undertake for the employees.

The system of factory directors assuming responsibility to the employees for targets during his term of office should include the following contents:

1. It must clearly stipulate the target for the development of collective welfare for employees during the term of office including the development plans for the employees' housing, bathhouses, hospital, club, canteen, nursery, and kindergarten.

2. It must stipulate the targets concerning the increase in the employees' income, including those for the range and amounts of increase in wages and bonuses during the term of office.

3. It must clearly stipulate the targets for the range and amount of increase in the enterprise's reserve funds during the term of office.

4. It must clearly set forth the targets for the employees' technical training during the term of office including the targets concerning the number

to increase technical, design, and professional management workers and the extent of the improvement of the workers' skill and education.

5. It must clearly state the targets during the term of office concerning the improvement of working conditions, the reduction of workload, and the beautification of environment.

To ensure continuity of the system of factory directors assuming responsibility for targets over the terms of office of several directors, we should link up the targets which are to be attained by each factory director in his term of office with the medium-term and long-term plans of enterprise. For this purpose, under the concrete guidance of the principle responsible departments and in accordance with the demands of the state's principles and policies and the requirements of long-term plan, the enterprise must work out a scientific long-term development plan and make some stipulations of principle for the vital problems of the enterprise's long-term development orientation, policies, targets and strategy, and so forth. Long-term planning should be the program for the actions of each factory director (manager), after it is discussed by the employees congress or assembly and is approved by the upper-level principal responsible department. At reelection of the factory director (manager), the candidate must define the responsibility that he should shoulder during his term of office for the state and the enterprise's employees in accordance with the requirements of long-term development plan. Then this is to be examined and discussed by the enterprise's principal responsible departments and in the employees' congress. Only when it is approved by both, can he become factory director. Therefore, the responsibility targets assumed by the factory director (manager) should be the major contents of the enterprise's 5-Year Plan. After the factory director (manager) takes up his official post, he will organize people to substantiate and to perfect the contents of target responsibility system and work out various concrete measures to fulfil the production quota and thus draw out the enterprise's formal 5-Year Plan. This requires us to change the present four-year term of office of factory director (manager) to a five-year term of office and make it correspond to the period of the state's 5-Year Plan.

To safeguard the solemnity of the system of factory director (manager) assuming responsibility for the targets during his term of office and to really ensure that factory directors (manager) perform their duties for the state and the enterprise's employees, it is imperative that the system of factory director (manager) assuming responsibility for the targets during his term of office have legal force. So, before the factory director (manager) takes up his official post, he should formally sign a contract concerning the system of assuming responsibility for the targets during his term of office respectively with the principal responsible department over the enterprise which represents the state and with the employees' congress which represents all the employees of enterprise. In addition to the duty that the factory director (manager) is to undertake for the state and employees of the enterprise, the contract must also stipulate the corresponding duties that the state and the employees of enterprise are to undertake for the factory director (manager) and formulate the method to hand out awards and punishments to factory director (manager). Only by fulfilling and overfulfilling the

quotas that are set by the system of factory director assuming responsibility for targets, can the factory (manager) be consecutively reelected and reappointed.

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CSO: 4006/647

ECONOMIC MANAGEMENT

BRIEFS

INDUSTRIAL PRODUCTS IMPROVING--Beijing, February 26 (XINHUA)--The quality of industrial products has been improving since the last quarter of 1985, according to the State Economic Commission. According to statistics released by the Commission on the result of the 24 products examined toward the end of last year, standards have risen. Of the 24 products, five--boric acid, Y-series motor bearings, heavy rails, formaldehyde and woolen knitting yarn--were rated 100 percent. Six were rated 80-99 percent and eight were 60-80 percent up to standard. The rest were rated 60 percent or below. The Commission officials said that quality control is still a common problem. Of 289 enterprises selected at random, about 100 sold sub-standard products. The Commission gave these factories a deadline to make improvements and they will be put under supervision of local economic commissions and standardization bureaus. [Text] [Beijing XINHUA in English 1333 GMT 26 Feb 86 OW] /12712

INDUSTRIAL ENTERPRISES IMPROVE--The data furnished by the provincial bureau of statistics indicate that during the Sixth 5-Year Plan the economic benefits of our province's industrial enterprises had a fairly large increase during restructuring and reorganization. According to the province's independent accounting, in the first 4 years industrial enterprises as a whole realized a total tax on profits of 8,674,000,000 yuan. It is comparable to 72.2 percent of the original value of fixed assets and a 1.9-fold increase over the period of the Fifth 5-Year Plan. The average yearly increase was 17.3 percent, high in comparison to the level GVIO. Last year the province's losses from losing enterprises fell 32.9 percent compared with 1980. The tax on profits realized and handed over by industrial enterprises not only increased yearly, they accounted for a larger and larger proportion of revenue, and they already constitute the primary source of revenue. Last year the profit taxes handed over by industry accounted for 81.2 percent of the province's revenues. The increase in the economic results of industrial enterprises has had a major effect on our provincial and national economic development. [Text] [Kunming YUNNAN RIBAO in Chinese 22 Sep 85 p 1] 12895/9190

CSO: 4006/293

FINANCE AND BANKING

GUANGMING RIBAO ON INDUSTRIAL INSURANCE SYSTEM

HK270631 Beijing GUANGMING RIBAO in Chinese 15 Feb 86 p 3

[Article by Sai Feng [1049 7364] and Chen Huai [7115 3232]: "Quickly Institute and Perfect an Industrial Insurance System"]

[Text] The industrial insurance system refers to a system by which the society or state manages industry. With the industrial enterprises as the insured and some social insurance institutions as the insurers, the system provides compensation for various unexpected losses in industrial economic activities or certain probable expenses.

The insurance system is an inevitable outcome of the commodity economy. It is a form of capital management by society, enabling a commodity producer or dealer to receive prompt compensation for unexpected losses of capital. In the past, China adopted a method of "state insurance" in its industrial management structure. Under this system, the state took on all unexpected losses in industry or certain probable expenses. This is actually a practice of "eating from the same big pot" prevailing in the relationship of the enterprises to the state. This method is no longer suited to the requirements of the planned commodity economy. Therefore, it is absolutely necessary to institute perfect, and vigorously develop an industrial insurance system.

The industrial insurance system chiefly consists of a production insurance system, a labor insurance system, and a welfare insurance system. Under the industrial production insurance system, a social insurance institution provides compensation for the unexpected losses of capital incurred by an industrial enterprise in the course of production. Under the industrial labor insurance system, a social insurance institution provides compensation for unexpected injuries or deaths at an industrial enterprise in the course of production or provides severance pay for surplus personnel of an enterprise. The industrial welfare insurance system chiefly consists of unified issuance of pensions, unified payment of medical expenses, and disbursement of subsidies by social insurance institutions to prevent a drop in the living standards of workers and staff members.

The industrial insurance system is essentially a system of management under which the society organizes scattered funds and makes overall payments for certain probable expenses in the economic activities of the industry. There are reasons for the need to quickly institute and develop an industrial insurance system:

First, it helps to make rational compensation for capital and to maintain a balance in industrial production. Under a planned commodity economy, capital is one of the most important factors in the production and operations of an industrial enterprise. It is necessary to compensate for capital losses under both normal and abnormal circumstances. Only in this way can we ensure continued reproduction in a balanced way. With an extremely high capacity for material production, an industry constantly faces the possibility of sustaining unexpected losses. Industrial production is also mass social production. In the chain of reproduction, the break of a link by unexpected circumstances may cause a series of chain reactions and incalculable losses. For this reason it is of extremely great importance for industrial production to have sufficient financial resources to make up for abnormal losses in capital.

Second, it is beneficial to the establishment and improvement of a control mechanism by which we urge enterprises to constantly improve their management levels. On the one hand, the fact that an enterprise takes out an insurance policy shows that it is responsible for its production conditions; on the other hand, after underwriting a policy, a social insurance institution, in an attempt to ensure economic results, will certainly carry out supervision over an enterprise, including the rational use of equipment and property, production safety, and management and operations, according to what is insured. Therefore, the industrial insurance system becomes a social mechanism to urge enterprises to improve their management level. This external control mechanism is an effective means by which the state exercises indirect control over enterprises.

Third, it facilitates competition among enterprises on an equal basis. Under the present system in our country, the labor system under which the state takes care of everything is essentially effected in the form of "enterprises taking care of everything." This has resulted in the growing burdens on large, key state-owned enterprises and long-standing enterprises, including the pensions paid to retired workers and staff members and death or disability compensation. The greater the disparity in the burdens of various enterprises, the more it is impossible for them to compete on an equal basis. By instituting an industrial insurance system under which the enterprises pay certain insurance premiums based on a certain percentage of their profits or output value or the number of workers and staff members, the enterprises can rid themselves of these burdens and the social insurance institutions make overall arrangements for the payment of these expenses. In this way we can genuinely lighten the burdens of the enterprises and invigorate them, thus enabling them to compete on an equal basis.

Fourth, it helps to discard the egalitarian practice of "everybody eating from the same big pot" and to demonstrate the superiority of the socialist system. To solve the problem of "everybody eating from the same big pot" and to demonstrate the superiority of the socialist system under which "care during childbirth, old age, and illness, as well as burial arrangements, are all guaranteed" for laborers, a relatively satisfactory solution is to institute and perfect the industrial production system. After a laborer leaves an enterprise and before he finds a new post, he can draw a certain amount of severance pay from a social insurance institution to guarantee basic daily needs. The establishment of this system is also of great importance to improving enterprise labor productivity and to preventing wage-related funds from continuously expanding.

Fifth, it helps to save on the aggregate insurance fund in society and to expand the scale of industrial production. Given an imperfect social insurance system, an enterprise often has to build up its own insurance reserve fund. These scattered insurance funds are small, and thus insufficient to cover a large unexpected loss. The aggregate insurance fund in society, however, is relatively large, and this represents wage. The industrial insurance system instituted on a social scale is not only an industrial guarantee system, but also an effective means to raise funds. With the establishment of the insurance system, the aggregate insurance fund in society can be reduced, thus increasing the amount of capital in the field of production, and some of the capital raised by the insurance institutions can also be used for production investment or in the setting up of public welfare facilities.

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CSO: 4006/785

FINANCE AND BANKING

CONSTRUCTION BANK OFFICIAL ON HANDLING 1986 PROJECTS

OW210437 Beijing XINHUA Domestic Service in Chinese 1158 GMT 20 Feb 86

[Article by reporter Chen Yun]

[Text] Beijing, 20 Feb (XINHUA)--Speaking at a conference held here today to discuss the work of construction banks in various parts of the country, Zhou Daojiong, president of the People's Construction Bank of China [PCBC], said that, in 1986, PCBC will exercise more effective control over its capital and support the fulfillment of state projects in various fields by controlling the investment scale, realigning investment structures, liquidating unfinished projects, meeting the needs of key projects, shortening the construction period, and striving to acquire greater returns from investment.

Zhou Daojiong said: Thanks to a series of timely measures, PCBC effectively dealt with the problem of overspending, which appeared during the first half of 1985. Consequently, the annual outlay for capital construction projects and various types of loans did not exceed the planned target, and the plan of attracting deposits was overfulfilled. However, contradictions between supply and demand of investment funds are still very conspicuous, and it is a difficult job to guard against overspending in investment. Leading comrades of the State Council have instructed that, during the Seventh 5-Year Plan, we must display the spirit of reform in handling those projects for which investment funds are not realistically budgeted, and in which the construction period has been overextended, and that we must be more conscious of time, interests, and turnover. They have also stressed the need to arrange investment and construction according to the time needed for construction, striving to shorten it, thus improving economic results.

Zhou Daojiong said: This year, the PCBC will give priority to the following three major projects:

1. It will provide funds strictly in accordance with the state plan, and will take effective measures to put construction investment under control of the state plan. Budgetary construction projects must be individually investigated, making sure that resources and outlay can be balanced. Capital construction projects built with extra-budgetary funds must first deposit those funds at the PCBC. "Deposit should precede approval for use," and it can only be spent after having been deposited in the bank for at least 6 months. In principle,

funds reserved for loans will only be spent on projects built with budgetary investment. Thoughtless development of ordinary undertakings to increase output of goods in excessive supply, and overspending on nonproductive projects should not be approved. Loans for investment should be granted in such a way that they will help realign production structure. Unfinished projects should be reexamined. Leading organs should be informed and advised of how to deal with redundant or thoughtless projects, or those for which financial and material resources are uncertain.

2. Management of funds should be improved. Efforts must be made to attract deposits and to press for payments which are due or overdue, so that capital can be used more effectively. In addition to promoting ordinary savings, we should provide various enterprises and institutions a time deposit service, experiment with accepting savings for housing, and act as agents for selling bonds, stocks, and other negotiable securities which local authorities, government departments, and enterprises are authorized to issue according to regulations. Meanwhile, we must increase the rate of capital use by speeding up capital turnover, recheck all loan contracts, and press for repayment. Without the approval from headquarters, no PCBC branches or agents are authorized to write off a loan. Control of key projects must be further strengthened. Any unwarranted apportionment of expenses, price increase, or misuse of funds and supplies meant for key construction projects, and any violation of financial regulations, such as unauthorized expansion and increase of expenditure, must be reported and stopped.

3. Consolidate and amplify the achievements of reform by perfecting various reform measures. Efforts must be made to consolidate, assimilate, replenish, and improve various measures for reforming the management of capital construction funds. Beginning this year, any projects ineligible for loans should be handled by allocated funds. To check any misappropriations, loans should only be granted to eligible projects.

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FINANCE AND BANKING

COMPANY TO PAY DIVIDENDS FOR FIRST TIME SINCE 1949

OW201730 Beijing XINHUA in English 1517 GMT 20 Feb 86

[Text] Shanghai, 20 February (XINHUA) -- China's economic reform program will soon pay off in a new way as 18,000 stockholders here receive the first dividend checks issued since the founding of new China in 1949.

Zhou Xinrong, president of the Yanzhong Industrial Company, told stockholders Tuesday they would receive a 15 percent return on their investments this year, nearly twice the going rate for one-year bank deposits.

The company is one of 12 subsidiaries of the Yanzhong photocopy company, which was formed as a cooperative venture of local neighborhood committees here.

More than ten enterprises in Shanghai -- China's largest industrial city and its financial center before 1949 -- have sold stocks since 1984, when a new regulation permitted such sales. Other companies have sold stocks to their employees.

None of the stocks can be traded, although they can be transferred through banks at a fixed price.

The Yanzhong Industrial Company sold 100,000 shares worth five million yuan in January 1985, 60,000 of them within seven hours. Individuals bought 90,000 shares, while the rest were bought by collectives.

Last year the company earned a profit of 980,000 yuan.

After paying income tax, owners of each 50-yuan share will earn 4.6 yuan, Zhou said.

The company invested the five million yuan in imports of equipment for a plastic die plant, in trade involving duplicating machines and in a new six-story rental building.

In the future, Zhou said, the company will concentrate more on industrial production.

The parent company, which also owns a research institute and a joint venture, earned more than nine million yuan in profits last year, ten times what it made in 1978.

FINANCE AND BANKING

BANK OF CHINA TO USE ATM'S FOR RENMINBI TRANSFER

HK230950 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 23 Feb 86 p 1

[By Carolyn Leung]

[Text] People in China will soon be able to use a credit card to handle banking transactions in Renminbi for the first time, following the signing of a contract between the Bank of China (BOC) in Zhuhai and Philips Hong Kong Ltd.

Philips is to supply and install 12 of its automatic teller machines (ATM) in the regions of Zhuhai and Guangzhou, so customers can use specially issued cards for cash withdrawal, cash deposit, funds transfer and balance inquiries at any time.

"Philips was chosen by BOC in Zhuhai out of six competitors," said Mr Peter Nelson, manager of Philips' Telecommunication and Data Systems. "It is the first order ever placed by a local bank in China for installing ATMs. We got the deal last September and the machines will be installed in June.

"The beauty of the ATM system is that it can perform transactions in Renminbi cash. The ATM systems are highly sensitive to the quality and the thickness of the money notes, so we have to modify the system to suit the size and the thickness of Renminbi notes."

The 12 installations in China include Philips PTS 6601 through-the-wall ATMs and PTS lobby-type cash dispensers. The video displays will be in simplified Chinese characters.

The deal is just a beginning for Philips' ventures in China.

"Our present marketing activities in China can be split into a number of groups, one of which concerns computers," said Dr R. M. Westerhof, general manager of Philips' professional products division. "This group has been very successful in the past few months and we have signed many projects for banking terminals systems and ATM systems over China.

"We expect enormous growth in the number of banking terminals and ATMS in the coming years as the use of money, and particularly savings, is increasing rapidly."

The company has agreed to supply four front-office banking terminal systems to the Industrial and Commercial Banking Corp (ICBC) in Dailin. The machines will be delivered in the next four or six weeks.

"Once the machines are successfully installed, Philips will cooperate with ICBC to develop the software," said Mr Nelson. "ICBC has over 200 branches in China and it has the potential to install 600 to 700 systems in the next three years."

Philips will also install banking terminal systems for the Agricultural Bank of China later this year.

Philips sells mobile radio communication systems to China too. The company has just won a HK\$8 million contract from Guangzhou police.

The company has also installed PARX systems for hotels and offices, traffic systems for cities and transmission systems.

Philips first made contact with the China bankers last year and now the company is co-operating with research institutes within the Ministry of Electronics Industry to develop a system that is suitable for China, with all the language capability, recovery functions and security measures necessary.

"We sell hardware to China but we also provide services and expertise," said Mr Nelson. "That is the Chinese style of business. Currently, we are running a three-month training project in China. And, of course, Philips has a service centre in Macao which is very near to China."

"Service centres are available in China for other product divisions of Philips, but we are now setting up a support centre for our computer users in China."

Philips has installed over 100,000 banking terminals worldwide, 2,500 of which belonged to the Hong Kong Bank and its subsidiary, the Heng Seng Bank.

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CSO: 4020/237

FINANCE AND BANKING

EXTENSION OF LOANS FAILS TO END BIG RICEBOWL SYNDROME

Shanghai SHIJIE JINGJI DAobao [WORLD ECONOMIC HERALD] in Chinese 16 Dec 85
p 9

[Article by Tian Chunhong [3044 2504 5725]: "The Extension of Loans Instead of the Allocation of Funds Has Failed To Put an End to the Big Ricebowl Syndrome"]

[Text] The findings of an investigation show that there was an increase of 43.5 percent in investment in state capital construction projects and of 158.2 percent in the amount of loans during the first half of 1985 compared to the same period last year and that many construction projects not known for their effectiveness vied with one another in applying for loans. The idling and waste of circulating funds have led to reduced effectiveness and the loss or potential loss by the enterprises of some 10 percent of the total amount of circulating fund loans extended by the banks. To put an end to the practice of enterprises of depending on the state for their circulating funds, the banks have required the enterprises to set aside 10 to 30 percent of their production development funds taken from their profits after taxes to be used as circulating funds. However, the amount of circulating funds supplemented by the enterprises is in reality extremely small and the enterprises have continued to eat out of the big ricebowl. According to statistics, the planned increase in circulating funds made for 1985 by 11 state enterprises in Huaiyin City in Jiangsu Province which have adopted the system for the payment of taxes in lieu of profits amounts to only 1 percent of the entire amount of increase in such funds.

That the extension of loans has failed to put an end to the practice of eating out of the big ricebowl is shown by the following:

1. The repayment of capital plus interest for investment loans in fixed assets is no different from eating out of the "big ricebowl." The method of "substituting the extension of loans for the allocation of funds" does not specify the proportion of the funds owned by the enterprises which should be used for the repayment of loans, so that the overwhelming majority of the enterprises have resorted to the practice of using their profits before the payment of taxes for the repayment of loans. In other words, the enterprises are in a position to use next year's income for the repayment

of current loans. According to the level of profits retained by the enterprises in 1984, some 70 to 80 percent of the repayment of loans before the payment of taxes is borne by the state. The lack of pressure for the repayment of loans has thus encouraged the enterprises to increase their investments and made it difficult to compel them to achieve an input-output balance in a conscientious manner.

2. The exemption measure has become a shelter for the enterprises to continue to eat out of the "big ricebowl." Since the system of "substituting the extension of loans for the allocation of funds" has been adopted without regard for the economic nature of the capital construction projects and provisions have been made for projects which have shown little economic effectiveness and projects which have difficulty repaying loans due to unfavorable prices, it is possible to apply for reduction of and exemption from repayment of capital plus interest according to the proper procedure. Thus, although the use of loans nominally calls for repayment, it actually amounts to the allocation of funds without compensation. It is understood that roughly 50 percent of "the extension of loans instead of the allocations of funds" used by the departments of the Central Government for investment do not require the repayment of capital plus interest, while as much as 80 percent of the "loans instead of allocations" used by the projects in the localities, many of which do not qualify for tax exemption, are being accorded the same treatment.

3. In view of the low interest rate for circulating fund loans and the fact that the amount of interest is considered part of the cost, most of the loans are borne by the state. That being the case, it is more profitable for the enterprises to apply for bank loans than to accumulate their own funds and most of the retained profit is used by the enterprises as bonuses or welfare funds or for investment in fixed assets to expand their productive power. Thus, the enterprises have come to depend on the "big rice bowl" of the state for their circulating funds and the role played by credit loans in the readjustment of the economy has been greatly reduced.

9621/9738

CSO: 4006/578

FINANCE AND BANKING

BANKS URGED TO PROVIDE GUIDANCE FOR FLOW OF FUNDS

Beijing RENMIN RIBAO in Chinese 27 Dec 85 p 5

[Article by Yan Yi [0917 3015]: "Banks Should Correctly Guide the Flow of Funds"]

[Text] One major aspect in the reform of the banking system calls for the provision of proper guidance for the flow of funds. This question involves the proper use of credit loans and interest rates as levers and of other measures of adjustment to provide guidance in the gradual opening up of the money market. It is extremely important to engage in the proper and effective distribution and utilization of bank credit loans in tune with a benign economic cycle. In this respect, three areas of work call for serious study and solution.

Banks Must Give Their Support to the Deserving and Reduce the Amount of Loans to Enterprises Which Perform Poorly. As economic units engaged in money and credit operations, the banks must take an objective view in favoring those of their clients "who tend to do well." They must, in the extension of loans, strictly observe the principle of "exercising discretion in offering assistance to the deserving." They must, from the microeconomic point of view, take into consideration the economic effectiveness of specific enterprises, give positive support to enterprises that are economically effective and withhold support from those with a poor record of performance. It is only thus that the banks can promote competition, invigorate the microeconomy, enhance the vitality of enterprises and put an end to the practice of allowing enterprises to eat out of the "big rice bowl" at the expense of the banks within the shortest period of time.

It Is Necessary To Exercise Control over the "Reverse Trend" of Credit Loans. Bank credit loans constitute a major lever for the adjustment of the economy in society. Banks, instead of regarding each and every factory as a "factory" in exercising their functions, must take into consideration the economic effectiveness of specific factories from the microeconomic point of view. Furthermore, they must regard the entire society as a "factory" and take into consideration its macroeconomic effectiveness. One major question which must be clearly resolved is this: Bank credit loan operations and economic activities in society not only tend to go in the same direction, as is commonly known, but they also have the often overlooked "tendency to go in opposite directions" from the objective point of view.

This "reverse tendency" indicates that when people show intense interest in engaging in production at an excessive rate, when investment in capital construction is overextended, and when there is an inordinate increase in consumer funds, the banks must bear in mind the importance of macro-economic effectiveness in a soberminded manner and avoid being caught up by the fever of overextending credit loans and thus adding fuel to the fire. Conversely, when the economy in society is in a state of recession, when there is a slump in investments, and when there is a shortage of consumer demand, banks must, instead of succumbing to the cold wave and reducing the amount of credit loans, increase credit loans to a proper extent in order to promote economic development. Thus, in providing proper guidance for the flow of funds, banks must exercise effective control over this inevitable "reverse tendency," continue to size up the changing situation in economic development in society, loosen or tighten the money market to a proper degree and in a dexterous manner, and readjust the value of funds so as to readjust the economy in society to achieve overall economic effectiveness from the macroeconomic point of view. Thus, the role played by banks in society, the system of banking operations and the structure of the contingent of bank workers must be further reformed and readjusted so that decisionmaking personnel in banks at various levels and key workers may have the courage and the expertise to put to use the "reverse tendency" mentioned above to readjust the macroeconomy in a conscientious manner.

It Is Necessary To Change the System of Unified Control over Funds. As a result of the long-standing abuse of the big rice bowl system in the supply of funds, many state enterprises seem to have come to regard "their existence as a God-given right." Once investment has been made and operations have begun, the enterprises take it for granted that they have the right to continue living for 100 years regardless of the effectiveness or otherwise of their operations and banks, having no choice but to accede to their loan requests, seem to have reconciled themselves to serving as their lifelong nursemaids. Under such circumstances, it is difficult to enhance the vitality of enterprises and make banks operate as banks in the true sense of the word.

In recent years, the double-track system of supplying circulating funds to enterprises by the treasury and banks has been replaced by the supply of funds by banks alone. This has, without a doubt, served to improve the administration of funds and to rectify the situation marked by "putting a number of dragons in charge of flood control." It is obvious, however, that in the absence of any basic change in the practice of allowing the enterprises to eat out of the big rice bowl of the banks, there are many localities where the "unified control" of circulating funds of enterprises by banks has often turned into "monopolistic control" so that thousands upon thousands of enterprises have taken to investing in capital construction and the banks alone are held responsible for making circulating funds available to enterprises. According to an investigation of over 50,000 state industrial and communication enterprises, 5.3 percent of the enterprises, having no circulating funds of their own, had to depend solely on bank loans to exist at the end of last year, while the funds owned by

42.7 percent of the enterprises fell below 30 percent of their assets, so that the overwhelming majority of the enterprises had to depend on bank loans to cover their deficits. That is a major reason for the expansion of capital construction investments, the inordinate increase in credit funds, the imbalance between fixed and circulating funds, and the need for the state to increase the insurance of currency.

What can be done to remedy the situation? It is my opinion that, first, it is necessary to establish and to perfect a system whereby enterprises are made responsible for replenishing their own circulating funds. Enterprises should set aside a certain amount of money from their retained profits after taxes every year to supplement their circulating funds and bring about a basic change to the practice of "using their accumulated funds for engaging in investments and using loans to engage in production." Second, the treasury and the tax departments should at the same time revise the rate of retained profits after taxes so that enterprises may have the means to supplement their circulating funds. Third, banks should suspend the extension of loans or reduce the amount of loans to enterprises which have no funds of their own and those which supplement their own funds in violation of regulations, so as to compel the enterprises to supplement their own circulating funds within a fixed period of time.

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FINANCE AND BANKING

BRIEFS

DEMANDS ON FINANCE, TAX WORK--At the recent provincial meeting of finance and tax bureau directors, leading comrades of the Sichuan Provincial Government put forward demands for finance and tax collection work in our province in 1986. Finance and tax departments at all levels must continuously push reform forward, strive to increase income and reduce expenditure, and ensure a balance of financial revenue and expenditure. Finance and tax cadres must make sustained and redoubled efforts to accomplish all tasks even more remarkably so that our province's finance and tax work this year can scale new heights. In the past year, our province made further progress in reform of finance and tax collection. While persisting in enlivening the microeconomy, our province strengthened macroeconomic control and regulation. Financial revenue and expenditure increased by a wide margin, resulting in a balance of revenue and expenditure showing a small surplus. Our province's task of finance and tax collection in 1986 are very arduous. To accomplish these tasks, it is necessary to rely on the concerted efforts of finance and tax departments at all levels to really grasp these tasks firmly, to do well in consolidating and perfecting reform of the finance structure, and to really do 10 aspects of work well, including finances at the county level. [Text] [Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 20 Feb 86 HK] /12712

QINGHAI AUDITING WORK--Qinghai Province has scored initial achievements in auditing and supervisory work. According to incomplete statistics, over the past 2 years, as a result of auditing, the whole province has discovered irregularities involving 25.82 million yuan, of which 23.6 million yuan concerned the violation of financial and economic discipline. The province's revenue has thus increased by 7.5 million yuan. The province first audited its education operating expenses. Auditing revealed that some education administrative departments in the province spent education operating expenses on capital construction, repairs, and other noneducational equipment. These irregularities involved some 8.24 million yuan. Auditing also revealed that some counties spent funds for water conservancy projects on buying small cars and radio cassettes. [Summary] [Xining Qinghai Provincial Service in Mandarin 2330 GMT 23 Feb 86 HK] /12712

HAINAN PREFECTURE INSURANCE BUSINESS--The Hainan Li-Miao Autonomous Prefecture Insurance Branch Company has vigorously developed the insurance business. Its income from insurance at home and abroad last year amounted to some 4.6 million yuan, an increase of some 300 percent over 1984. The branch company has handled

1,242 claims for compensation and defrayed 1.62 million yuan as compensation. The branch company was set up at the end of 1984. [Summary] [Haikou Hainan Island Service in Mandarin 0400 GMT 18 Feb 86 HK] /12712

BOLD INVESTIGATING IN ALL LEVELS--Auditing departments in our province have closely relied on party leaders at all levels to go deep into reality to conduct investigation and study and have been bold in investigating and dealing with the large units and leadership departments which seriously violated financial and economic discipline. Last year, the whole province discovered violations of financial and economic discipline involving some 360 million yuan, of which some 32 million yuan of the 115 million yuan which should have been paid into the state treasury was subsequently paid. Last year, the whole province audited the accounts of some 2,300 units, of which some were grassroots units below the prefectural and county levels and some were leadership departments at the provincial level. Under the leadership of CPC Committees at all levels, the auditing departments were devoted to their duties and seriously and strictly dealt with all units which violated financial and economic discipline, at no matter what levels. [Text] [Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 24 Feb 86 HK] /12712

CSO: 4005/785

MINERAL RESOURCES

PRC COMPLETES SURVEY OF PANXI MINERAL BELT

HK090710 Beijing RENMIN RIBAO in Chinese 28 Feb 86 p 1

[Report by He Huangbiao [0149 7806 1753]: "Rich Deposits of Minerals Found in Panxi Rift Valley in Past 5 Years"]

[Text] The research project of "finding out the geological structure and geophysical characteristics of Panxi rift valley and controlling the mineral reserves there" has been successfully completed. This research project was a priority once during the Sixth 5-Year Plan period. The Chinese Academy of Sciences, the Chinese Academy of Geological Science, the Changchun Geological College, and other 15 units participated in the research project which was coordinated by the Sichuan Provincial Geological and Mineral Bureau. The research project ran for 5 years. It included a great deal of scientific field surveys and comprehensive scientific research. All this has achieved remarkable and important results. On 27 February, the assessment meeting held by the State Science Commission and the Ministry of Geology and Mineral Resources approved the research results. Experts at the meeting unanimously agreed: In general, the research project has reached the international level and some results of the research project have reached the world's advanced level.

The rich geological data and extensive scientific evidence collected in the research project have proven that the Panxi area in our country was an ancient rift valley between the late Palaeozoic and the early Mesozoic eras. The northern end of this ancient rift belt is in Mianning, Sichuan Province and its southern end is in Yuanmou, Yunnan Province. It passes through Xichang and Panzhihua, with a length of more than 300 kilometers and a width of more than 100 kilometers. The geological structure of this belt is extremely complicated, with magma being active and earthquakes occurring frequently. There is a rich variety of rocks. Therefore, this area is richly endowed by nature and abounds in mineral resources. It is indeed a rare "treasure bowl" in southwest China. At present, 55 types of minerals have been found, including iron, titanium, molybdenum, nickel, vanadium, gold, platinum, coal, halite, and various rare and rare-earth metals. Forty-four types of mineral reserves are of industrial use. Some 1,500 mineral deposits have been located of which more than 90 are large or medium-sized deposits. In particular, it was found that the reserve of coulsonite and imenite are as high as nearly 10 billion tons,

ranking first in the country. The reserve of titanium resources ranks first in the world. At the same time, there are many types of mineral resources which can be put into comprehensive utilization.

The Panxi ancient rift belt is a special geological area. It is an important "window" from which people can explore the movement of the continental plates.

Leading comrades of the Party Central Committee and the State Council highly value the prospecting and research in the Panxi area and show deep concern for economic development in that area. Comrade Fang Yi, member of the CPC Central Political Bureau and state councillor, has gone to inspect and guide work in the Panxi area for seven times. On 26 February, Fang Yi also attended the assessment meeting and made a speech.

7/1/88

LSU: 4006/796

INDUSTRY

GUIZHOU LAND RECLAMATION INDUSTRY REPORTED

Beijing ZHONGGUO NONGKEN [STATE FARM AND LAND RECLAMATION IN CHINA] in October
No 8, 24 Aug 85 p 17

[Article by Wu Shengwei [0702 0524 0251]: "Guizhou's Thriving State Farm and Land Reclamation Industry"]

[Text] Prior to the 3d Plenum of the 11th CPC Central Committee, the state-owned farms in Guizhou Province basically had no industrial production. Through development over the last several years, the 45 state-owned farms throughout the province now basically have their own industry. In 1984, the value of industrial output constituted 46.6 percent of the gross value of industrial and agricultural output, 42.9 percent higher than that of 1983.

Development of the state farm and land reclamation industry has provided Guizhou's state farm and land reclamation enterprises in Guizhou with considerable funds and materials. Prior to 1979, the state farm and land reclamation enterprises in Guizhou incurred an annual deficit of 2.63 million yuan. With the development of industry, they went from sustaining losses to obtaining profits of over 500,000 yuan in 1981. For example, in 1979, prior to its involvement in the processing industries, the Maganshan Pastoral Reclamation Farm in Dafang County sustained a loss of 180,000 yuan. After 1980, as a result of running a food processing factory, colliery, sulphur factory, and brewery, it obtained a profit of over 40,000 yuan in 1982.

The rapid development of the state farm and land reclamation industry in Guizhou has changed the production structure of Guizhou's state farm and land reclamation enterprises and accelerated the development of the state farm and land reclamation economy in Guizhou. For instance, the Xiayun Farm, which is directly under provincial jurisdiction, has 737 staff members and workers. In the past, they were all concentrated on 3,733 mu of land and engaged solely in paddy cultivation. They incurred an annual deficit of some 400,000 yuan.

The farm was a major losing endeavor in Guizhou's state farm and land reclamation industry. Nevertheless, after 1980, this farm organized a capital construction team of 120 workers to carry out contracting in capital construction in Guiyang City. This not only solved the problem of wages for the 120 staff members and workers, but delivered 120,000 yuan of net profits to the farm every year. In 1982, this farm changed its backward outlook of

having sustained losses for 20 years, and obtained some 50,000 yuan in profit instead. Its gross output value quadrupled.

The development of the state farm and land reclamation industry has enabled Guizhou's state farm and land reclamation enterprises to expand employment opportunities and improve the living standards and material and cultural levels of the staff members and workers. In the past, the most difficult task for the farm was job placement for children of staff members and workers. After operating industries, some farms have not only resolved this problem, but have also recruited labor force from society to run the industries. The Kaili Dairy Cattle Farm in southeast Guizhou Province has 212 staff members and workers, 500 mu of farmland, and 110 head of dairy cattle. In the past, only fresh milk was produced. A deficit of roughly some 100,000 yuan was incurred every year. After 1980, this farm established its own industrial projects such as a food processing factory, a beverage factory, and a brewery. It also set up a retail sales department. In addition to arranging employment for all the children of the staff members and workers of this farm, it also recruited nearly 100 contractors from Kaili City. While the gross output value for this farm in 1979 was only 234,500 yuan, output value in 1984 reached 1.2 million yuan, having quadrupled the gross output value ahead of schedule. With the prosperous establishment of industries, all the staff members and workers own such high-grade commodities as television sets, bicycles, washing machines and electric fans at home. Currently, this farm has collected a fund of some 600,000 yuan to build a six-storeyed commercial building on some 5,000 square meters of land in Kaili City.

There is an abundance of mineral resources for Guizhou's state farm and land reclamation industry. These minerals include coal, phosphorus, barite, marble, bauxite, and anvil red earth. There is great potential for industrial production. There is an even greater prospect for the development of the food and brewery industries. Currently, Guizhou is establishing the state farm and land reclamation industry jointly with Guangdong, Jiangxi, and Fujian provinces.

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CSO: 4006/961

DOMESTIC TRADE

BRIEFS

CONSUMER GOODS SUPPLY FORECAST--Beijing, February 12 (XINHUA)--Supply of double-door refrigerators, color television sets and washing machines will fall short of demand this year in China, according to a forecast of today's PEOPLE'S DAILY. China will produce 600,000 to 700,000 more refrigerators this year than in 1985, basically meeting the market needs, but demands for high-grade, double-door refrigerators with a capacity between 150 and 180 liters will rise. By the end of this year, there will be 84.81 million television sets throughout the country, an average of 35 TV sets for every 100 families. Almost all the urban families and 15 percent of the rural households have TV sets. Although the supply of black and white television has exceeded the demand throughout the nation, the noted brand television sets of 14-inch and 17-inch still sell well on the rural market. The paper predicted that about 10 million washing machines are needed this year, 7.15 million for urban and 2.85 million for rural areas. If this comes true, the whole nation will have 38.16 million washing machines by the end of this year, an average of 15.7 washing machines for every 100 households. [Text] [Beijing XINHUA in English 1241 GMT 12 Feb 86 OW] /12712

CSO: 4020/236

FOREIGN TRADE AND INVESTMENT

BEIJING HOSTS INTERNATIONAL TEXTILE EXHIBITION

HK100416 Beijing CHINA DAILY in English 10 Mar 86 p 2

[By staff reporter Zhao Jimming]

[Text] With exhibits of advanced textile and garment machines, equipment and instruments, more than 300 firms from around the world are getting ready for the start of an international textile industry exhibition.

The one-week show, scheduled to open in Beijing on Wednesday, will be the largest of its kind to be held in the capital since the founding of the People's Republic, Yu Xizhong, vice-chairman of the China Council for the Promotion of International Trade, Beijing sub-council, told a news conference last weekend.

Over 500 exhibits will be on display in a floor space of more than 22,000 square meters, shared equally by the Beijing Exhibition Centre in the western part of the city and the National Agricultural Exhibition Centre in the eastern part, he said.

Participating in the show are national groups and company groups from Federal Germany, Italy, Switzerland, Japan, Britain, Spain, Belgium, Austria, the United States and France. Individual firms also came from Sweden, Denmark, the Netherlands and Hong Kong.

The exhibitors have brought \$10 million worth of equipment for producing chemical fibre, non-woven and coated fabrics, garments, knitted goods, cotton and silk textiles. Relevant testing and measuring instruments are also included, he said.

Immediate sales and deals in future are expected. Central government and local authorities are raising foreign currency for purchases. But Yu refused to estimate the final purchasing volume.

Since the 1960's, China has imported more than \$3 billion worth of equipment to modernize its textile and garment industries, said Xu Pu, general manager of the China Textile Technical Development Corporation.

However, China still lagged in manufacture of equipment for producing chemical and coated fabrics and in printing and dyeing processes, he said.

During the Seventh Five-Year Plan (1986-1990), China needs to update its textile businesses both through self-reliance and through importing advanced equipment and technology.

Other exhibition sponsors include the China Textile Scientific and Technical Development Corporation and the China Textile Industrial Corporation for Economic and Technical Co-operation of the Ministry of Textile Industry and Hong Kong Expositions Limited.

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CSO: 4020/230

LABOR AND WAGES

INCREASE IN LABOR PRODUCTIVITY REPORTED FOR 1985

OW211905 Beijing XINHUA in English 1846 GMT 21 Feb 86

[Text] Beijing, 21 February (XINHUA)--The raising of labor productivity contributed to about 75 percent of the increased industrial output value in 1985, according to statistics released by the state statistics bureau today.

Full-attendance labor productivity refers to the average output value per year created by each worker. China uses this as one of the indices to measure its economic performance.

According to the bureau, the full-attendance labor productivity index was 15,300 yuan last year in state-owned enterprises, 9.4 percent more than in the preceding year.

Shanghai, China's largest industrial city, reported the highest labor productivity in the country, about 32,700 yuan, more than double the national average.

It was followed by Tianjin -- 23,100 yuan -- and Beijing -- 21,000 yuan. Jiangsu province, which reported the highest industrial output value in the country, registered a labor productivity index of 18,800 yuan, placed fourth.

The fastest growth in labor productivity was reported by Qinghai province and the Guangxi Zhuang autonomous region, both exceeding 20 percent. Thirteen other areas reported a growth of over 10 percent. They include Zhejiang, Anhui, Fujian and Jiangxi provinces.

Labor productivity in the construction industry reported a rise of 22 percent last year, also the fastest growth over the past five years.

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CSO: 4020/237

LABOR AND WAGES

TRADE UNIONS PLAY INCREASING ROLE IN REFORM

OW251050 Beijing XINHUA in English 1050 GMT 25 Feb 86

[Text] Beijing, 25 February (XINHUA correspondent Shi Xiaofan) - Chinese trade unions are having their greatest say ever in government plans and the management policies of their enterprises, a high trade union official said today.

"Chinese trade unions have been very active. This has been demonstrated most clearly in the unions' work in supporting the current economic reforms," said Chen Bingquan, vice-president of the All-China Federation of Trade Unions to Xinhua.

He said union leaders have "mobilized their members to support the reforms"--which are designed to give enterprises more decision-making powers and to increase workers' initiative and improve productivity through production quotas and wage scales and bonuses based on performance.

"Unions have also helped the reforms by criticizing management errors in carrying them out," the vice-president of the national leading organ of China's trade unions said.

For example, according to Chen, workers recently criticized certain enterprise officials for promoting themselves or paying themselves unwarranted bonuses, and their trade unions have proposed ways to correct these practices.

In response, he said, government departments have banned unwarranted promotions and bonuses for leaders and have decided that promotions and increases in bonuses must be approved by each enterprise's Workers Congress, Chen said.

The trade union of an enterprise is a permanent body of the Workers' Congress, which is elected by all workers.

In another case, when the trade council of Wuxi City learned that some enterprise had neglected the interests of the aged and the infirm in terms of wage reforms, it contacted the departments involved and was able to solve the problem, according to Chen.

Trade unions also participate in formulating production quotas and in evaluating the performance of enterprise officials.

Last year, the state council -- China's central government--decided that central and local government departments invite trade union representatives to help decide all matters affecting the interests of workers.

The state council also agreed to union participation in all groups supervising the economic reforms, such as those involving wages and prices.

Trade unions in many localities have already made "remarkable contributions" to important decisions, Chen said.

The Shenyang Trade Union Council, for example, made more than 70 suggestions to the city government and took part in formulating 14 local laws over the past two years.

A city law concerning the bankruptcy of collectively-owned enterprises, for example, took into account the trade union councils' suggestion to cover certain pay and labor insurance of the workers in such enterprises.

In joint ventures with foreigners, Chen said, unions have prevented capricious firings of workers.

Chinese unions function differently from those in capitalist countries, cooperating with the government--as well as criticizing policies that hurt their members.

Membership in China's Trade Unions, which is not compulsory, exceeds 80 million, including 87 percent of the workers in enterprises and departments where unions exist.

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CSO: 4020/237

LABOR AND WAGES

WORKERS RECEIVE VOCATIONAL, SKILL TRAINING

OW010248 Beijing XINHUA in English 0230 GMT 1 Mar 86

[Text] Beijing, 1 March (XINHUA) -- Some 80 million Chinese workers, about 80 percent of the country's total work force, have received vocational and skill training in the past five years, according to an official release here today.

Over 30 million young workers who did not have a chance to get a proper education in the ten chaotic years of the "cultural revolution" (1966-1976) completed cultural and vocational courses for secondary technical education over the five years, and this has helped improve their professional competence and sense of discipline, an official from the national administration for workers' education said.

Also over the past five years, he added, one million technicians learned foreign languages, use of computers and management skills, and have updated their technical knowledge. This, the official said, has helped them learn and use up-to-date techniques.

About 2.84 million people received training in planning, statistics, financial affairs and commerce in 1985 alone, in order to meet the need for undertaking planned economic activities and improve enterprise management, the official added.

Meanwhile, some 4.49 million business leaders, about 22 percent of the country's total, completed courses in economic theory and the basic knowledge of management, he added.

Since 1984, about 80,000 factory directors and managers have taken part in four national unified exams and 90 percent of them passed, he noted.

China now has more than 31,600 schools and training centers for business leaders and workers, employing more than 200,000 full-time teachers.

Besides, he said, China has stressed other forms of teaching and training, such as TV educational programs, correspondence education and evening schools. The country also encourages people to study on their own.

Many workers have been given permission to absent themselves from work to take courses on a half-time basis, with the approval of their leadership, he added.

LABOR AND WAGES

BRIEFS

INDUSTRIAL-COMMERCIAL BANK SELLING BONDS--Beijing, 26 February (XINHUA)--The Industrial and Commercial Bank of China reported to have sold over 410 million yuan of bonds since last October. It planned to sell one-year bonds worth 500 million yuan from last October to this coming June. The interest rate is nine percent. With the money, the bank's official said, the bank will grant special loans to enterprises to support production of goods in high demand. Up to the present, the bank official said, the bank has granted special loans totalling 360 million yuan. This is the first time for the bank to issue such bonds and the work will continue this year, the official said. [Text] [Beijing XINHUA in English 1040 GMT 26 Feb 86 CW]

BANK LOAN AND ENTERPRISES--Beijing, 28 February (XINHUA)--The Industrial and Commercial Bank of China will loan 800 million yuan this year to develop China's industries, "ECONOMIC DAILY" reported today. The newspaper said top loan priorities will be retooling of large and medium-sized energy and transportation enterprises and developing enterprises with export potential. The bank has also decided to allocate 200 million yuan in loans to help the country's underdeveloped areas, the daily said. [Text] [Beijing XINHUA in English 0814 GMT 28 Feb 86 CW]

JOINT INVESTMENTS--Beijing, 28 February (XINHUA)--The Bank of China, the Foreign Exchange Bank, has been active in investing in cooperative projects with other Chinese and foreign enterprises over the past few years, according to a bank spokesman. By the end of 1985, the bank had invested 270 million U.S. dollars in 143 Sino-foreign joint ventures in coal, oil, machine-building, electronic, motor vehicle, building materials, and tourism industries. These projects involved a total investment of 1.43 billion U.S. dollars. The bank also joined banks from Japan, France, Federal Germany, Italy, the United States and Hong Kong, and Chinese enterprises to form a number of financial and leasing companies, the spokesman said. One of the leasing companies, the China Universal Leasing Co., Ltd., managed international leasing worth about 150 million U.S. dollars for 20 provinces, autonomous regions and municipalities in the first year of its operation, starting November 1984. The Bank of China's capital was estimated at three billion yuan by the end of 1985 and the total assets were 200.3 billion yuan at the end of 1984. [Text] [Beijing XINHUA in English 0151 GMT 28 Feb 86 CW]

NEW POSTAL SAVINGS SERVICE--Beijing 1 March (XINHUA)--The first two weeks of China's new postal savings service brought in deposits of 690,000 yuan,

according to the Ministry of Posts and Telecommunications. Individuals opened 2,931 accounts in 20 postal savings service centers in 11 Chinese cities between February 1 and 14. Now the service is available in 12 major Chinese cities, Beijing, Shanghai, Tianjin, Zhengzhou, Shenyang, Shijiazhuang, Chengdu, Nanjing, Guangzhou, Fuzhou, Changsha and Xian. Officials plan to open more when personnel training has been completed. There will be 40 postal savings service centers in Beijing and 28 in Tianjin by the end of the year. Funds gathered through the new service, which only accepts individual accounts and offers interest rates equal those of banks, will be turned over to the People's Bank of China, the Central Bank. [Text] [Beijing XINHUA in English 0752 GMT 1 Mar 86 CW]

PRC NATIONAL--Savings deposits--Beijing, 19 Feb (XINHUA)--Last year savings deposits in China averaged a record 160 yuan for each of China's 1 billion people, up 43 yuan from 1984. The average annual wage for an urban worker increased 414 yuan over the past 5 years, while average income of the rural people rose 209 yuan. With steadily rising living standards, more and more people are putting money into savings accounts for future purchases of homes and consumer durables. Local banks are being encouraged to open more branches, offices and simplify formalities for opening savings accounts. [Text] [Beijing XINHUA in English 1313 GMT 19 Feb 86 CW]

TRAINING REGISTERED ACCOUNTANTS--Guangzhou, 28 February (XINHUA)--China plans to increase its number of registered accountants from the present 1,000 to 10,000 in the near future, Yang Jiwan, vice-chairman of the accounting society of Ciety China said here today. This is to meet the needs of the fast development of the joint-ventures, co-operative enterprises and foreign-owned enterprises which totalled more than 6,000 by the end of 1985, he said. Yang was speaking at an international workshop on investment in China, which opened here today. China's registered accountancy system was resumed in 1980 after a 30-year suspension. Now more than 60 accountancy offices have been set up in the country's 28 provinces, municipalities and autonomous regions, dealing with notarial business and providing consultancy. Yang disclosed that China is drafting a regulation for registered accountants, which will be published soon. Preparations are also underway for the establishment of the China Society of Registered accountants which will help supervise the businesses. [Text] [Beijing XINHUA in English 1558 GMT 28 Feb 86 CW]

COLLEGE TEACHERS LIVING STANDARD-- Beijing, 28 February (XINHUA)--The average Beijing professor's salary of 165 yuan at the end of last year was up 135.8 percent over December 1978, according to the municipal statistical bureau. In real terms, discounting for price increases, the increase was 74.9 percent. The bureau today announced the results of its sampling of 162 professors, associate professors, lecturers and assistant lecturers. About 97 percent of their families enjoy a per capita income of more than 50 yuan a month, the bureau said. In addition, by 1984, 44 percent of the families of professors owned color television sets, 70 percent had refrigerators and 68 had washing machines, the survey indicated. The survey also showed that members of professors' families had seven square meters of living space apiece, about 80 percent more than the Beijing average. [Text] [Beijing XINHUA in English 1142 GMT 28 Feb 86 CW]

25 March 1986

POPULATION

ADVANCED COLLECTIVES COMMENDED IN GUANGXI FAMILY PLANNING

HK260447 Nanning Guangxi Regional Service in Mandarin 1100 GMT 21 Feb 86

[Excerpts] The regional rally to commend the advanced collectives and advanced individuals in family planning opened in Nanning this morning. Attending this rally are the representatives of the advanced collectives and advanced individuals in family planning from all prefectures, cities, and counties throughout the region and leaders of all prefectures, cities, and counties, totaling some 600 people. Wei Chunshu, deputy secretary of the regional CPC Committee and chairman of the regional People's Government, made a work report at the rally. Wang Rongzhen, vice chairman of the regional People's Government, delivered the opening speech.

In his report, Chairman Wei Chunshu pointed out: Since family planning work began, births in our region have dropped by about 3 million the pressure exerted by population on all aspects of society has been greatly alleviated, and the per capita income throughout the region increased.

Chairman Wei Chunshu said: In the Seventh 5-Year Plan period, which commences this year, our region's population will reach a new peak. Controlling population growth is now an extremely urgent issue in our region. Party and government leaders at all levels throughout the region must resolutely implement the instructions of the CPC Central Committee, put family planning work in a still more important position, and really ensure the simultaneous grasping of birth control and production. In examining, assessing, and comparing the work of all departments in future, we must take family planning work into consideration. The units which do not attach importance to family planning work or which have not fulfilled the quotas for family planning cannot be assessed as advanced units. Leading cadres who do not attach importance to family planning cannot be assessed as advanced individuals.

In his opening speech, Vice Chairman Wang Rongzhen said: The tasks of this rally are to sum up and exchange experiences in family planning, to commend the advanced collectives and advanced individuals emerging on all fronts in the family planning work, and to mobilize the people of all nationalities to further do well in controlling population growth.

Attending the opening ceremony and seated on the rostrum were responsible persons of the regional CPC Committee, regional People's Congress Standing Committee, regional People's Government, regional Advisory Committee, and regional CPPCC Committee, including Wei Chunshu, Tai Aiyang, Huang Jia, Shi Zhaotang, Zhao Mingjian, Wang Rongzhen, Liao Shengdong, and Qin Si; and leaders of regional departments, committees, offices and bureaus concerned and of all prefectures, cities, and counties.

POPULATION

BRIEFS

FAMILY PLANNING WORK CONFERENCE--The provincial conference on family planning work which was held from 20 to 22 February pointed out: While persisting in grasping well the production of materials, we must do well in grasping family planning work. We must link planned economic development with planned control over population growth and with improving population quality. Our province must firmly grasp, not relax, family planning work this year. We must heighten our understanding of family planning work and strictly control population growth in our province. We must strive to control the natural population growth rate in the whole year within 10 thousandths. The planned birth rate must reach some 70 percent. The rate of additional births must be controlled within 15 percent. Vice Governor Zhang Yuqin made a report on family planning work at the conference. Attending the conference on family planning work were leading comrades, including Ding Tingmo, deputy secretary of the provincial CPC Committee; Su Gang, chairman of the provincial Advisory Committee; Zhang Yuhuan, chairman of the provincial People's Congress Standing Committee; Jiao Bin, commander of Guizhou Military District; Wang Zhenjiang, vice chairman of the provincial People's Congress; and Chu Zhenmin, vice chairman of the provincial CPPCC Committee. [Text] [Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 22 Feb 86 HK] /12712

SUCCESSFUL CONTROL OF POPULATION GROWTH--During the Sixth 5-Year Plan period, our province took effective measures to control population growth and scored relatively good achievements. The whole province fulfilled its quotas for the natural population growth rate and for the birth control rate. The whole province's population at the end of 1985 was about 101.7 million and was 2.75 million less than the quota in the Sixth 5-Year Plan. [Text] [Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 20 Feb 86 HK] /12712

CSO: 4006/787

TRANSPORTATION

COMMUNICATIONS OFFICIAL ON PLANS FOR TRUNK ROADS

OW011918 Beijing XINHUA in English 1506 GMT 1 Mar 86

[Text] Beijing, March 1 (XINHUA)--In the next five years China will build 60,000 km of new roads, including 27 trunk roads, in north China and the east coastal areas, according to Vice-Minister of Communications Wang Zhanyi.

He told a Council meeting of the Chinese Highway Society here today that by 1990 China will have a total length of one million km of roads. During the 1981-1985 period, China constructed 52,000 km of new roads.

During the Seventh Five-Year Plan period, the new trunk roads to be built or reconstructed are mainly for linking economically-developed areas and ports, and for energy development and key tourist spots.

They include the Beijing-Tianjin-Tanggu road, the Shanghai-Hangzhou road, the Nanning-Beihai road, the Guangzhou-Zhuhai road and the eastern section of the ring road on Hainan Island.

In the next five years the length of the first-rate roads and expressways in the country will extend to 2,000 km, as against 400 km at present, Wang said. The 20 km expressway in Shanghai will be completed next year.

China will also build 12 major road bridges in the 1986-1990 period, including the Yellow River Bridge at Zhengzhou, the Songhua River Bridge at Harbin, the Minjiang River Bridge in Fujian Province and the Wuzhou Bridge in the Guangxi Zhuang Autonomous Region.

The vice-minister said the construction of these new roads and bridges will solve the road bottlenecks leading to big cities and ports.

According to Wang, who is also vice-president of the Chinese Highway Society, the Chinese transport departments will be equipped with 70,000 new buses, 100,000 new trucks and 70,000 trailers in the next five years.

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CSO: 4020/236

TRANSPORTATION

BRIEFS

NEW AIR SERVICE--A new air route of the Civil Aviation Administration of China linking Guangzhou, Changzhou, and Beijing went into operation recently. No 2515 Boeing 737 airliner took off from Guangzhou and safely landed at Changzhou Airport on 28 February. On 15 March, this weekly flight will be officially open to the public. [Summary] [Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 3 Mar 86 OW] /12858

CSO: 4006/795

PUBLICATIONS

NEW BOOK ON PRICE INDEX INTRODUCED

Beijing TONGJI [STATISTICS] in Chinese No 6, 17 Jun 85 p 46

["Introducing New Books" column: "Can the Price Index Indicate Objective Reality?"]

[Text] Price is closely related to people's lives. The public is very sensitive to price changes. A problem of popular concern is whether the price index can represent the objective reality of price change.

The new book "Can the Price Index Represent Objective Reality ?" will soon be published by the China Statistics Publishing House. The book systematically describes the basic concept of price index, the difference between retail price index and living expense index of urban workers, the method of calculating the indices, the influence of price change on urban and rural people's lives, and how the compilation of price indices should be improved. Combining various personal feelings for price index, the profound analyses are presented in simple terms. The book contains about 30,000 words, with a clearly conceived, well-organized presentation, concrete analyses and ample evidence. Presented in simple terms, it is easy to read and understand. The book can add to your understanding of the price index.

What do you think about price index? Do you have any questions about it? The book "Can the Price Index Represent Objective Reality?" will enlighten and help you. Its price is RMB 0.25 yuan. Instructions for placing an order are presented inside the back cover of this issue.

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CSO: 4006/961

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